

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Dickinson County	County Dickinson
Audit Date 12/31/04	Opinion Date 5/12/05	Date Accountant Report Submitted to State: 9/16/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC			
Street Address 901 Ludington Street		City Escanaba	State MI
Accountant Signature <i>Anderson, Tackman & Company P.C.</i>		ZIP 49829	Date 9/16/05

COUNTY OF DICKINSON, MICHIGAN
BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004

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ANDERSON, TACKMAN & COMPANY, PLC

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
County of Dickinson
Iron Mountain, Michigan 49801

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Dickinson, Michigan as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Dickinson's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Dickinson County Library and Library Trust, Dickinson County Road Commission and the Dickinson County Healthcare System. The Dickinson County Library and Library Trust are blended in with the County of Dickinson's basic financial statements and represent 7.9%, 4.0%, 7.7%, respectively, of the assets, net assets and revenues of the governmental activities. The Dickinson County Road Commission and the Dickinson County Healthcare System represent 100 percent of the assets, net assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been provided to us, and our opinion, insofar as it relates to the amounts included for the Dickinson County Library and Library Trust, Dickinson County Road Commission and the Dickinson County Healthcare System, is based on the reports of the other auditors.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Dickinson, Michigan as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the County has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as amended and interpreted, as of December 31, 2004.

The Management’s Discussion and Analysis and the budgetary comparison information on pages 3 - 13, 69 - 72, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Dickinson’s basic financial statements. The combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company P.L.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

May 12, 2005

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Dickinson County's financial performance provides an overview of the County's financial activities for the fiscal year ending December 31, 2004. Please read it in conjunction with the County's financial statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

- The County's net assets were reported for the first time under GASB 34. As such, no comparisons with the prior years will be made. In future years comparative information will be presented in various schedules throughout the MD&A. Net assets for the County were reported at \$19,138,976 for 2004. For 2004, net assets for our business-type activities were \$108,949, less than 1% of total net assets, while net assets in our governmental activities were \$19,030,027 or 99% of total net assets.
- The County's expenses for 2004 totaled \$10,593,751, while revenues from all sources totaled \$11,441,962, leaving an increase of \$848,211.
- The General Fund reported a decrease in fund balance of \$152,549 in 2004, representing a decrease in fund balance of 11%. This was after revenues of \$6,967,177 compared to \$7,158,078 in 2003, and expenditures of \$6,159,913 compared to expenses of \$5,943,967 in 2003.

USING THIS REPORT

This annual report consist of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 14, 15 and 16) provide information about the activities of the County as a whole and present a longer term view of the County's finances. Fund financial statements start on page 17. For governmental funds, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements by providing information about the County's most significant funds. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of government.

Reporting the County as a whole

Statement of Net Assets and the Statement of Activities

Our analysis of the County as a whole begins on page 6. One of the most important questions asked about the county's finances; "Is the County as a whole better off or in worse condition as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current years revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the County's *net assets* and changes in them. You can think of the County's net assets as the difference between assets and liabilities as one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base to assess the *overall financial health* of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two categories of activities:

- Governmental activities – Most of the County's basic services are reported here including public safety, judicial system, parks and recreation and general administration. Property taxes, state shared revenues and state and federal grant funds make up the majority of revenue for these activities.
- Business-type activities – The County charges a fee to customers to help cover all or most of the costs of certain services it provides. The collection of delinquent property taxes make up these activities.

The County also presents two legally separate component units; County Road Commission and the Dickinson County Healthcare System which are reported separately from the financial information of the County. Separately audited financial statements are available for the County Road Commission and the Dickinson County Healthcare System at their administrative offices.

Reporting the County's Most Significant Funds

Fund Financial Statements

Our analysis of the County's Major Funds begins on page 9. The fund financial statements begin on page 17 and provide detailed information on the most significant funds – not the County as a whole. Some funds are required to be established by State law, and by bond covenants. However, the County Board of Commissioners establishes many other funds to help it control and manage money for particular purposes or to show that the Board is meeting legal requirements for certain taxes, grants and other money. The County's two kinds of funds *governmental* and *proprietary* – use different accounting methods.

- *Governmental funds* – Most of the County’s services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the County’s general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance County programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* - When the County charges customers for the services it provides – whether to outside customers or to other units of the County – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County’s enterprise funds (a component of proprietary funds) are the same as the business-type activities that we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

The County as a Trustee

The County is the trustee, *or fiduciary*, of tax receipts and other collections, that are collected for other agencies and held for periodic payment to those agencies. The County’s fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 24. We exclude these funds from the County’s other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The County as a Whole

The County's net combined assets grew by \$848,211 in 2004.

Table 1
Net Assets

	Governmental Activities	Business-Type Activities
	2004	2004
Current and other assets	\$ 11,343,494	\$ 1,028,245
Capital assets (net)	14,871,329	30,704
Total Assets	<u>26,214,823</u>	<u>1,058,949</u>
Long-term debt outstanding	1,496,879	-
Other liabilities	5,687,917	950,000
Total Liabilities	<u>7,184,796</u>	<u>950,000</u>
Net Assets:		
Invested in capital assets, net of related debt	13,359,329	-
Restricted assets:		
Expendable	2,305,524	-
Unrestricted	3,365,174	108,949
Total net assets	<u>\$ 19,030,027</u>	<u>\$ 108,949</u>

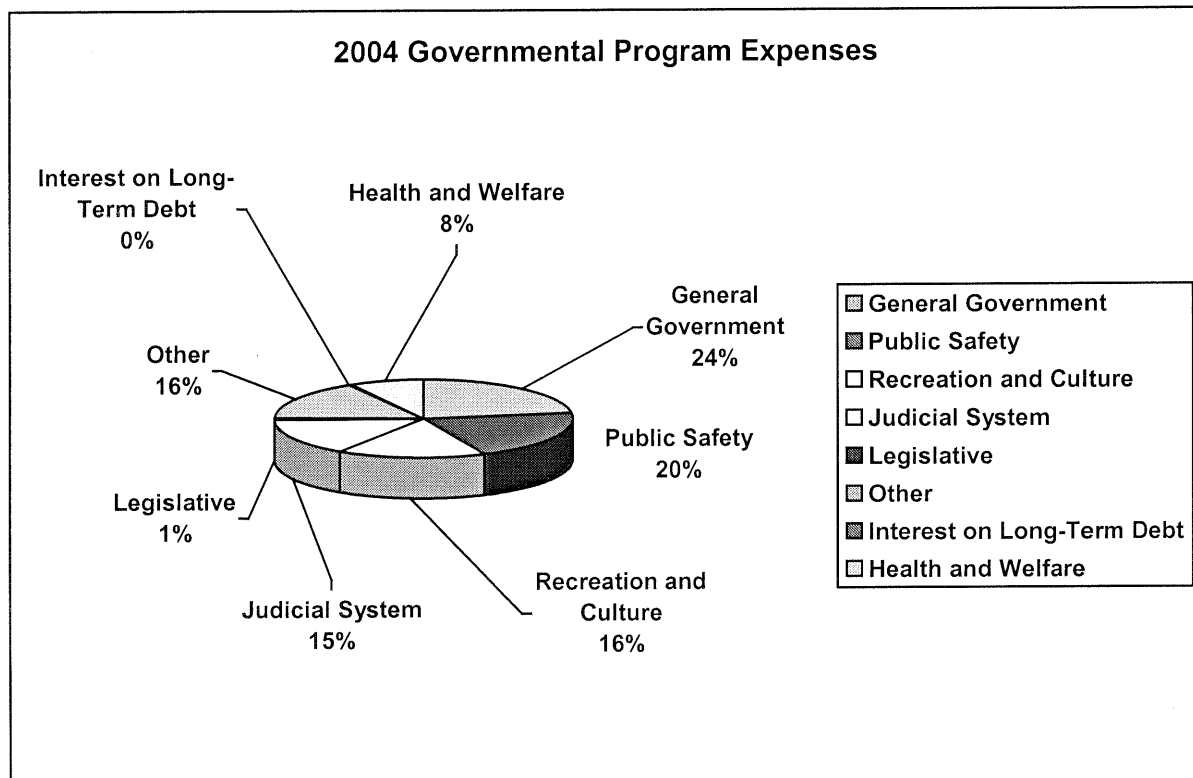
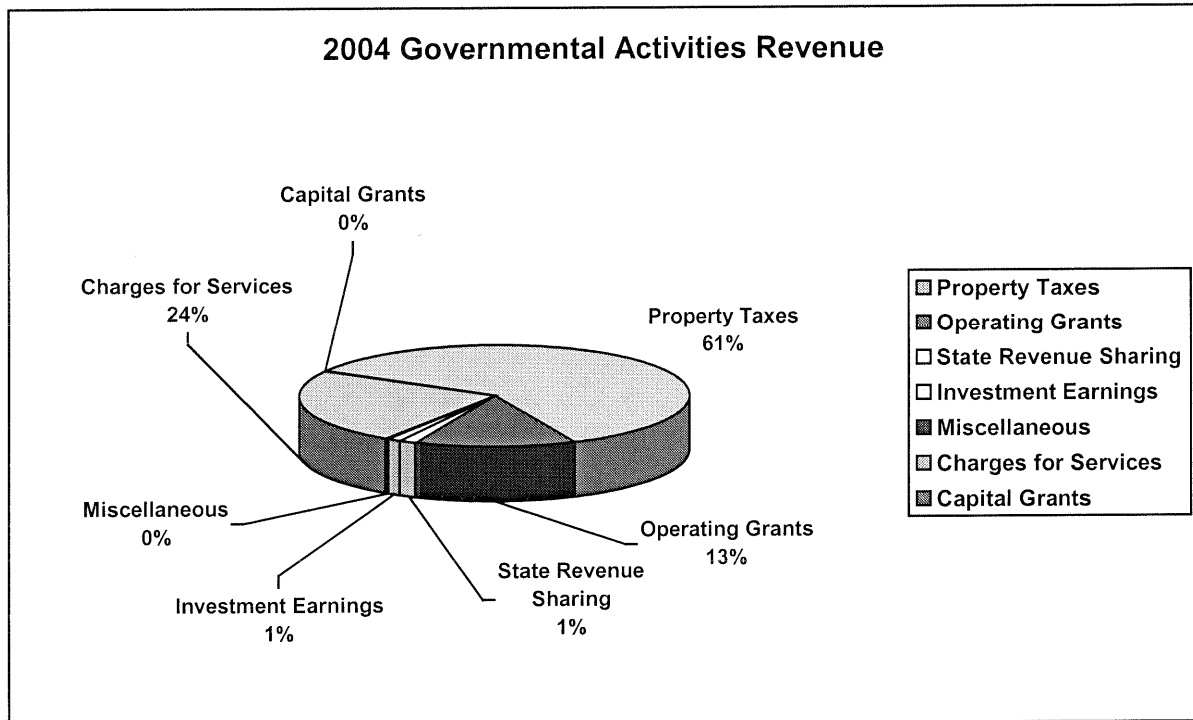
Net assets of the County's governmental activities stood at \$19,030,027. Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$3,365,174 for 2004.

Net assets in our business-type activities stood at \$108,949, down from \$114,904 in 2003 (-5%). Unrestricted net assets for our business-type activities were \$108,949 and \$114,904 for 2004 and 2003 respectively.

Table 2
Changes in Net Assets

	Governmental Activities	Business-Type Activities
	2004	2004
Revenues:		
Program Revenues:		
Charges for services	\$ 2,672,263	\$ 139,939
Operating grants	1,508,668	-
Capital grants	14,856	-
General Revenues:		
Property taxes	6,778,555	-
State revenue sharing	163,300	-
Grants and contributions not restricted to specific programs	11,762	-
Unrestricted investment earnings	111,181	-
Miscellaneous	41,438	-
Total Revenues	<u>11,302,023</u>	<u>139,939</u>
Program Expenses:		
Legislative	91,696	-
Judicial system	1,616,796	-
General government	2,425,941	-
Public safety	2,169,477	-
Health and welfare	857,639	-
Recreation and culture	1,698,949	-
Other	1,718,394	-
Interest on long-term debt	11,613	-
Delinquent tax revolving	-	3,246
Total Expenses	<u>10,590,505</u>	<u>3,246</u>
Excess (deficiency) before transfers and contributions	711,518	136,693
Transfers	<u>142,648</u>	<u>(142,648)</u>
Increase (decrease) in net assets	854,166	(5,955)
Net assets - beginning	<u>18,175,861</u>	<u>114,904</u>
Net assets - ending	<u><u>\$ 19,030,027</u></u>	<u><u>\$ 108,949</u></u>

Governmental Activities



Governmental Activities

Revenues for the County's governmental activities totaled \$11,444,671, while expenses were \$10,590,505. The excess of revenue over expense was \$854,166 for 2004. The increase in net assets can be attributed to the advanced collection of County property taxes, which was established to replace State revenue sharing payments for the next several years.

Table three below reflects the cost of each of the County's five largest activities; Public Safety, Judicial System, General Government, Recreation and Culture, and Other, - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

Table 3
Government Activities

	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
Public safety	\$ 2,169,477	\$ 1,447,265
Judicial system	1,616,796	47,073
General government	2,425,941	1,712,314
Recreation and culture	1,698,949	858,023
Other	<u>1,718,394</u>	<u>1,718,394</u>
Totals	<u>\$ 9,629,557</u>	<u>\$ 5,783,069</u>

Business-Type Activities

The County's business-type activities net assets totaled \$108,949, with a decrease in the current year of \$5,955.

THE COUNTY'S FUNDS

The focus of the governmental funds of the County is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the County's net resources available for spending at the end of the fiscal year.

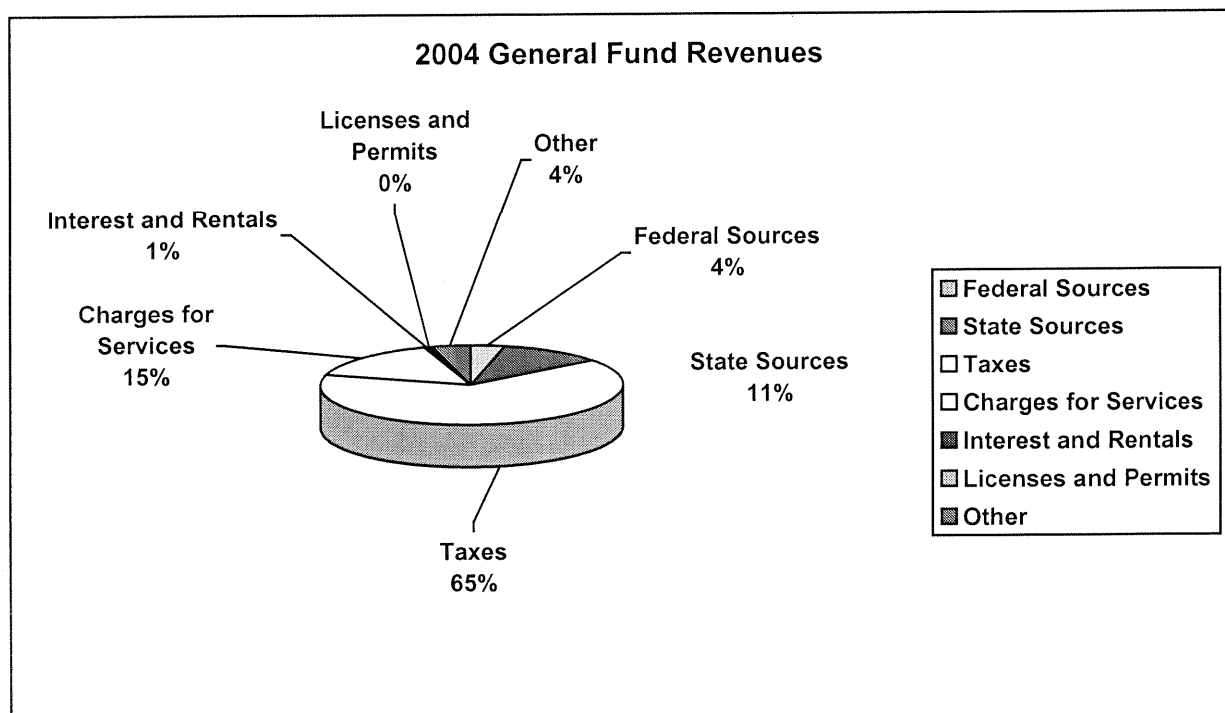
For the current fiscal year the County's governmental funds reported total fund balance of \$6,605,577, of that, \$1,041,435 was reserved for permanent funds and the remaining \$5,564,142 was unreserved. The General Fund unreserved fund balance amounted to \$1,279,211, with \$950,000 designated for long-term advances to the delinquent tax revolving fund. The General Fund had a decrease in fund balance of \$152,549, representing a decrease of 11% over the prior year fund balance. The County established the Revenue Sharing Reserve fund in 2004 to account for the activity relating to the collection of one-third of the County's December 2004 tax

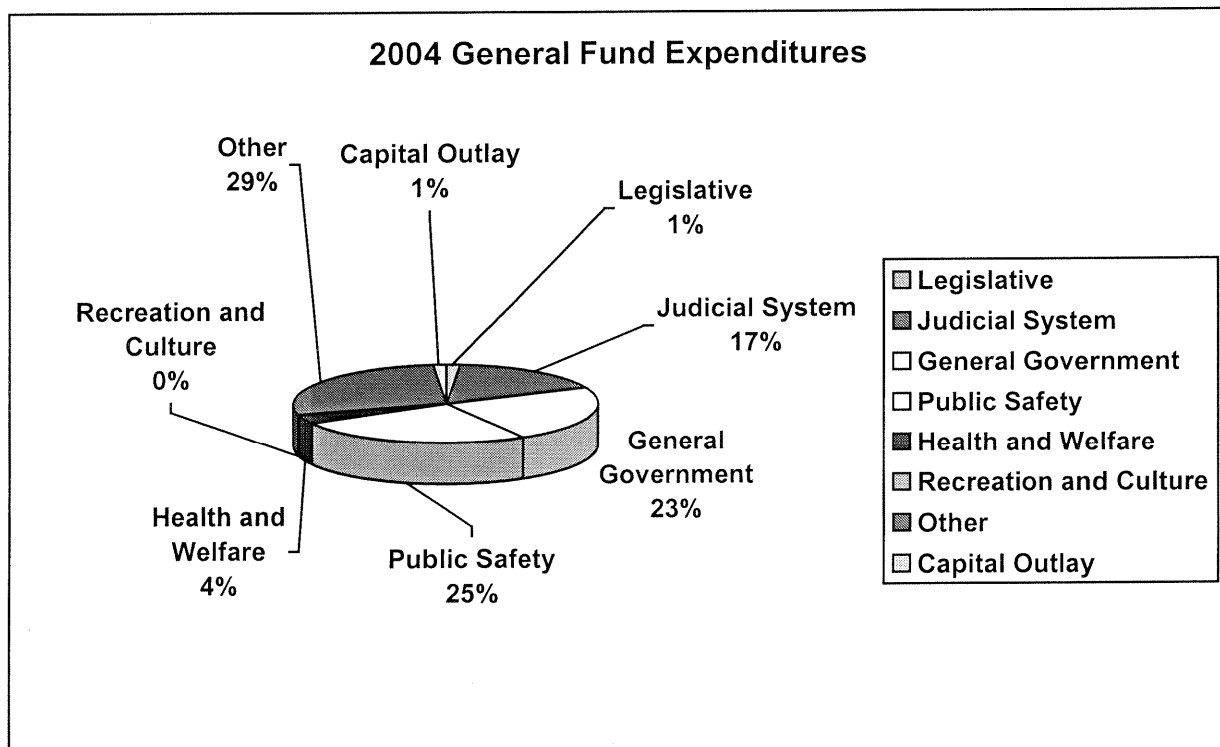
levy (\$1,490,831) which is required to be placed in this fund for 2004, 2005 and 2006. The purpose of this fund as outline in Public Act 357 of 2004 is to establish a reserve for county governments to replace the former state revenue sharing payments. The Retiree's Medical Care Reserve fund was established for the purpose of accumulating resources to pay future post-employment health insurance costs. Fund balance in the Retiree's Medical Care Reserve fund increased in the current year by \$45,945 which relates to investment earnings on the cash balance in the fund of \$1,590,252 as of December 31, 2004.

General Fund Budgetary Highlights

Over the course of the year, the budget was amended several times. These amendments were made to recognize changes to revenue or expenditures. The budgeted revenues and transfers in net change from the original budget to the final amended budget amounted to \$139,924, representing an increase of 1.9%. The budgeted expenditures and transfers out of the final amended budget increased by \$255,813 over the original budget, representing an increase of 3.5%. The original budget projected a balanced budget, while the actual results showed a decrease in fund balance of \$152,549. Transfers to the Child Care fund increased from \$169,585 to \$332,745 and transfers to the Correction Complex fund increased from \$94,000 to \$209,889, which accounted for much of the increase in budgeted transfers.

General Fund





CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2004, the County had \$13,921,329, net of accumulated depreciation, invested in a variety of capital assets including machinery and equipment, buildings and improvements, parks, airport infrastructure and land. (See table 4 below)

Table 4
Capital Assets at Year-End
(net of accumulated depreciation)

	Governmental Activities 2004
Land	\$ 1,546,055
Buildings & improvements	6,221,352
Machinery & equipment	941,512
County Library	742,884
Infrastructure	4,469,526
	<hr/>
Total	\$ 13,921,329

The most significant increase in additions to capital assets were improvements to the fair ground buildings and the purchase of various pieces of equipment.

DEBT

At year-end the County had \$1,496,879 in long-term debt.

Table 5
Outstanding Debt at Year-End

	Governmental Activities
	2004
Correction Center Bonds	\$ 405,000
Fair Bonds	157,000
Compensated absences:	
General County	300,534
County Library	13,697
Post-retirement benefits - County Library	620,648
	<hr/>
Totals	\$ 1,496,879
	<hr/>

The State of Michigan limits the amount of general obligation debt that local units of government can issue to 10% of the current equalized valuation, including TIF valuations. The County's outstanding general obligation debt of \$562,000 is well below statutory limits.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County Board of Commissioners and county management will consider many factors when setting the fiscal year budget, tax rates and fees that will be charged for services. One of those factors is the uncertainty of State revenue sharing, the shift in County tax collections to the summer and the establishment of a Revenue Sharing Reserve Fund will impact future cash flows. Other changes in State government financing will affect the way programs and services are provided. The continuing issues with funding on both the State and Federal level present financial challenges outside of the County's control that effect the level of services provided. The economy in the Dickinson County area appears to be flat in relation to job growth or job loss. The cost of living in the Dickinson County area is below the national and State average, but real estate values continue to climb. The growth of other costs continue to rise at the national inflation rate or lower, with the exception of health care costs which continue to be a concern for the County and local employers. These factors were taken into account when adopting the 2005 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the County's finances and to show the County's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the County Administrator at the Dickinson County Courthouse, P.O. 609, Iron Mountain, Michigan, 49801.

COUNTY OF DICKINSON, MICHIGAN
STATEMENT OF NET ASSETS
December 31, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,541,403	\$ 419,788	\$ 3,961,191
Investments	569,544	-	569,544
Current portion of restricted cash	-	-	-
Receivables	7,220,373	474,570	7,694,943
Internal balances	-	133,887	133,887
Prepays	12,174	-	12,174
Inventory	-	-	-
Total current assets	<u>11,343,494</u>	<u>1,028,245</u>	<u>12,371,739</u>
Noncurrent assets:			
Cash and investments	-	-	-
Delinquent taxes receivable	-	30,704	30,704
Long-term advances to other funds	950,000	-	950,000
Deferred financing costs	-	-	-
Capital assets, net of accumulated depreciation	<u>13,921,329</u>	<u>-</u>	<u>13,921,329</u>
Total noncurrent assets	<u>14,871,329</u>	<u>30,704</u>	<u>14,902,033</u>
Total assets	<u>\$ 26,214,823</u>	<u>\$ 1,058,949</u>	<u>\$ 27,273,772</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 106,980	\$ -	\$ 106,980
Accrued payroll	74,923	-	74,923
Internal balances	47,601	-	47,601
Accrued interest	-	-	-
Estimated third-party payor settlements	-	-	-
Due to other governmental units	-	-	-
Deferred revenue	5,458,413	-	5,458,413
Other	-	-	-
Long-term liabilities due within one year:			
Compensated absences	75,134	-	75,134
Post-retirement benefits	22,679	-	22,679
Current maturities of long-term debt	<u>111,000</u>	<u>-</u>	<u>111,000</u>
Total current liabilities	<u>5,896,730</u>	<u>-</u>	<u>5,896,730</u>
Long-term liabilities:			
Long-term advances from other funds	-	950,000	950,000
Compensated absences	239,097	-	239,097
Post-retirement benefits	597,969	-	597,969
Long-term debt, less current maturities	451,000	-	451,000
Reserve for loss on liability claims	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>1,288,066</u>	<u>950,000</u>	<u>2,238,066</u>
Total liabilities	<u>7,184,796</u>	<u>950,000</u>	<u>8,134,796</u>
NET ASSETS			
Invested in capital assets, net of related debts	13,359,329	-	13,359,329
Restricted for:			
Expendable:			
Special revenue	1,285,155	-	1,285,155
Debt service	-	-	-
Capital assets	-	-	-
Permanent funds	1,020,369	-	1,020,369
Unrestricted	<u>3,365,174</u>	<u>108,949</u>	<u>3,474,123</u>
Total net assets	<u>19,030,027</u>	<u>108,949</u>	<u>19,138,976</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 26,214,823</u>	<u>\$ 1,058,949</u>	<u>\$ 27,273,772</u>

See accompanying notes to financial statements.

Component Units	
Road Commission	Dickinson County Healthcare System
\$ 34,833	\$ 6,186,447
-	3,008,435
-	1,171,950
681,823	7,451,492
-	-
-	-
385,988	1,385,439
<u>1,102,644</u>	<u>19,203,763</u>
-	17,568,263
-	-
-	-
-	323,885
29,302,852	41,635,173
<u>29,302,852</u>	<u>59,527,321</u>
<u>\$ 30,405,496</u>	<u>\$ 78,731,084</u>
\$ 43,263	\$ 2,139,697
-	1,214,030
-	-
-	296,950
-	3,597,957
59,293	-
31,565	-
30,011	460,437
-	2,446,690
-	-
<u>372,873</u>	<u>1,195,998</u>
<u>537,005</u>	<u>11,351,759</u>
-	-
334,719	-
-	-
630,132	33,342,948
-	965,000
<u>158,479</u>	<u>173,570</u>
<u>1,123,330</u>	<u>34,481,518</u>
<u>1,660,335</u>	<u>45,833,277</u>
28,299,847	7,096,227
445,314	-
-	3,193,836
-	3,220,328
-	-
-	19,387,416
<u>28,745,161</u>	<u>32,897,807</u>
<u>\$ 30,405,496</u>	<u>\$ 78,731,084</u>

COUNTY OF DICKINSON, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2004

	<u>General Fund</u>	<u>Revenue Sharing Reserve</u>	<u>Retiree's Medical Care</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and equivalents:					
Unrestricted	\$ 1,251	\$ -	\$ 1,590,252	\$ 1,949,900	\$ 3,541,403
Investments	-	-	-	569,544	569,544
Receivables:					
Accounts	3,862	-	-	717,956	721,818
Taxes	4,479,508	1,490,831	-	292,727	6,263,066
Due from other funds	313,198	-	-	-	313,198
Due from other local units	32,922	-	-	2,770	35,692
Due from State of Michigan	95,746	-	-	104,051	199,797
Prepaid expense	7,004	-	-	5,170	12,174
Long-term advances to other funds	950,000	-	-	-	950,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 5,883,491</u>	<u>\$ 1,490,831</u>	<u>\$ 1,590,252</u>	<u>\$ 3,642,118</u>	<u>\$12,606,692</u>
LIABILITIES					
Accounts payable	\$ 11,624	\$ -	\$ -	\$ 95,356	\$ 106,980
Due to other funds	58,049	302,445	-	305	360,799
Accrued payroll	55,099	-	-	19,824	74,923
Deferred revenue	4,479,508	-	-	978,905	5,458,413
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>4,604,280</u>	<u>302,445</u>	<u>-</u>	<u>1,094,390</u>	<u>6,001,115</u>
FUND BALANCES					
Reserved					
Permanent funds	-	-	-	1,041,435	1,041,435
Unreserved:					
Designated	950,000	-	-	501,523	1,451,523
Undesignated	329,211	1,188,386	1,590,252	-	3,107,849
Unreserved, reported as non-major:					
Special revenue funds	-	-	-	781,842	781,842
Debt service	-	-	-	117,037	117,037
Capital projects	-	-	-	55,388	55,388
Permanent funds	-	-	-	50,503	50,503
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,279,211</u>	<u>1,188,386</u>	<u>1,590,252</u>	<u>2,547,728</u>	<u>6,605,577</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 5,883,491</u>	<u>\$ 1,490,831</u>	<u>\$ 1,590,252</u>	<u>\$ 3,642,118</u>	<u>\$12,606,692</u>

See accompanying notes to financial statements.

COUNTY OF DICKINSON, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
December 31, 2004

Total fund balances for governmental funds	\$ 6,605,577
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	1,546,055	
Buildings and improvements	8,515,700	
Machinery and equipment	1,769,500	
County Library	1,437,424	
Infrastructure	6,536,077	
Accumulated depreciation	<u>(5,883,427)</u>	
Total capital assets		13,921,329

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Bonds payable	(562,000)	
Post-employment benefits	(620,648)	
Compensated absences	<u>(314,231)</u>	<u>(1,496,879)</u>

Total net assets of governmental activities	\$ <u><u>19,030,027</u></u>
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See accompanying notes to financial statements.

COUNTY OF DICKINSON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2004

	General Fund	Revenue Sharing Reserve	Retiree's Medical Reserve	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 4,503,090	\$ 1,490,831	\$ -	\$ 784,634	\$ 6,778,555
Licenses and permits	14,526	-	-	182,369	196,895
Federal sources	246,003	-	-	285,335	531,338
State sources	784,217	-	-	283,049	1,067,266
Local sources	-	-	-	183,769	183,769
Charges for services	1,078,739	-	-	649,946	1,728,685
Interest and rentals	41,824	-	45,945	303,109	390,878
Other	298,778	-	-	125,858	424,636
Total revenues	6,967,177	1,490,831	45,945	2,798,069	11,302,022
EXPENDITURES:					
Legislative	91,696	-	-	-	91,696
Judicial system	1,032,994	-	-	560,130	1,593,124
General government	1,433,869	-	-	476,652	1,910,521
Public safety	1,557,487	-	-	540,972	2,098,459
Health and welfare	232,647	-	-	618,652	851,299
Recreation and cultural	7,685	-	-	1,673,438	1,681,123
Capital outlay	85,702	-	-	324,016	409,718
Debt service:					
Principal	-	-	-	95,000	95,000
Interest	-	-	-	11,613	11,613
Other	1,717,833	-	5	556	1,718,394
Total expenditures	6,159,913	-	5	4,301,029	10,460,947
Excess revenues (expenditures)	807,264	1,490,831	45,940	(1,502,960)	841,075
OTHER FINANCING SOURCES (USES):					
Bond proceeds	-	-	-	157,000	157,000
Transfer in	445,093	-	-	1,407,106	1,852,199
Transfer out	(1,404,906)	(302,445)	-	(2,200)	(1,709,551)
Total other financing sources (uses)	(959,813)	(302,445)	-	1,561,906	299,648
Net change in fund balance	(152,549)	1,188,386	45,940	58,946	1,140,723
Fund balances - beginning of year	1,431,760	-	1,544,312	2,488,782	5,464,854
Fund balances - end of year	<u>\$ 1,279,211</u>	<u>\$ 1,188,386</u>	<u>\$ 1,590,252</u>	<u>\$ 2,547,728</u>	<u>\$ 6,605,577</u>

See accompanying notes to financial statements.

DICKINSON COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2004

Net changes in fund balances - total governmental funds	\$ 1,140,723
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$806,264) exceeded capital outlays (\$506,362).	(299,902)
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Repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.

Principal repayments:	
Bond principal	95,000

Activity relating to note proceeds for fair ground improvements	(157,000)
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Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	47,164		
Post-employment benefits	28,181	75,345	
Changes in net assets of governmental activities		\$ 854,166	

See accompanying notes to financial statements.

COUNTY OF DICKINSON, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2004

	<u>Tax Revolving</u>
ASSETS	
Current assets:	
Cash and cash equivalents	
Unrestricted	\$ 419,788
Receivables:	
Current taxes	421,856
Interest	52,714
Due from other funds	<u>133,887</u>
Total current assets	<u>1,028,245</u>
Noncurrent assets:	
Delinquent taxes	<u>30,704</u>
Total assets	<u><u>\$ 1,058,949</u></u>
LIABILITIES	
Current liabilities	\$ -
Noncurrent liabilities:	
Long-term advance from other funds	<u>950,000</u>
Total liabilities	<u>950,000</u>
NET ASSETS	
Unrestricted	<u>108,949</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,058,949</u></u>

See accompanying notes to financial statements.

COUNTY OF DICKINSON, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2004

	<u>Tax Revolving</u>
OPERATING REVENUES:	
Charges for services	\$ 14,268
Rental and interest income	<u>125,671</u>
Total operating revenue	<u>139,939</u>
OPERATING EXPENSES:	
Supplies	<u>3,246</u>
Operating income (loss)	<u>136,693</u>
NONOPERATING REVENUES (EXPENSES):	
Transfer out	<u>(142,648)</u>
Change in net assets	(5,955)
Total net assets - beginning	<u>114,904</u>
Total net assets - ending	<u><u>\$ 108,949</u></u>

See accompanying notes to financial statements.

COUNTY OF DICKINSON, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2004

	<u>Tax Revolving</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 14,268
Receipts from interest and rents	131,326
Cash received for collection of taxes	1,355,298
Payments to suppliers	(3,246)
Cash payments for taxes	(1,292,310)
Other receipts (payments)	<u>(163,665)</u>
Net cash provided (used) by operating activities	<u>41,671</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfer out	<u>(142,648)</u>
Net increase (decrease) in cash and equivalents	(100,977)
Cash and equivalents, beginning of year	<u>520,765</u>
Cash and equivalents, end of year	<u><u>\$ 419,788</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	<u>\$ 136,693</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in receivables	68,643
(Increase) decrease in due from other funds	(10,077)
Increase (decrease) in due to other funds	<u>(153,588)</u>
Total adjustments	<u>(95,022)</u>
Net cash provided by operating activities	<u><u>\$ 41,671</u></u>

See accompanying notes to financial statements.

COUNTY OF DICKINSON, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2004

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents:	
Unrestricted	\$ 1,265,547
LIABILITIES	
Due to other funds	\$ 86,286
Due to other governmental units	75,236
Undistributed taxes	883,085
Other liabilities	<u>220,940</u>
Total liabilities	<u>\$ 1,265,547</u>

See accompanying notes to financial statements.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background - The County of Dickinson was organized in 1891 under the provisions of the Michigan Constitution and covers an area of 757 square miles divided into seven townships and three cities. The County is operated under a Commission/Controller form of government and provides services in the following functional areas: legislative, courts, public records, public roads, management, building operation and expense, human service, resource management and development, law enforcement, and health services. The County is governed by an elected five member Board of Commissioners, with the county seat located in the City of Iron Mountain.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis*. GASB 34 significantly changes financial reporting for governmental agencies by adding government-wide financial statements, management's discussion and analysis and reporting on infrastructure.

Reporting Entity - For financial reporting purposes, in conformance with GASB Statement 14, as amended by GASB Statement 39, Dickinson County (the primary government) includes all funds, agencies, boards, commissions, other component units, and authorities that are controlled by or dependent on the County's legislative branch, the County Commission. Control by or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, or receipt of significant subsidies from the County. In addition, State of Michigan - Department of Treasury pronouncements were considered in the determination process. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units - The County has three component units for which the financial data has been blended with the primary government financial statements.

Building Commission Authority - Pursuant to MCL 123.951 the County of Dickinson formed a Building Commission Authority known as Crystal Lake Community Center Commission. The Commission consists of seven members appointed by the Dickinson County Board of Commissioners. Although it is legally separate from the County, the Building Commission Authority is reported as if it were part of the primary government because its sole purpose is to operate and maintain a recreational facility for the County.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dickinson County Library and Library Trust – The Dickinson County Library and Library Trust are governed by a board which is appointed by the Dickinson County Board of Commissioners. The Library is a part of the County of Dickinson and a majority of its revenues are deposited with the County Treasurer. The Dickinson County Library and Library Trust were audited by other auditors and their complete financial statements can be obtained from their administrative office located at 401 Iron Mountain Street, Iron Mountain, Michigan 49801.

Dickinson County Construction Code Authority – During 1999 the Dickinson County Board of Commissioners approved the formation of the Dickinson County Construction Code Authority. The purpose of the Authority is to provide inspection services and enforcement of the State construction code. The Authority is governed by a seven member board which is appointed by the County Board of Commissioners and has one representative from the six townships, one from Breitung Township, one from the City of Kingsford, one from the City of Iron Mountain, one from the City of Norway and two from the County Board of Commissioners. The Authority is reported as a part of the primary government because its sole purpose is to provide building code inspections and code enforcement to the citizens of Dickinson County. The majority of its revenues are on deposit with the Dickinson County Treasurer.

Discretely presented component unit - The component unit columns in the combined financial statements include the financial data of the Dickinson County Road Commission, Dickinson County Healthcare System and the Dickinson County Economic Development Corporation. The component units are reported in a separate column to emphasize that they are legally separate from the County.

Dickinson County Road Commission – The Dickinson County Road Commission, which was established pursuant to the County Road Law (MCL 224.1), is governed by a three member board of County Road Commissioners appointed by the County Board of Commissioners. The Road Commission provides the citizens of Dickinson County road service and maintenance. The Road Commission may not issue debt or levy a tax without the County Board of Commissioners approval. The Road Commission financial statements were audited by other auditors and those financial statements may be obtained at:

Dickinson County Road Commission
1107 South Milwaukee Avenue
P.O. Box 519
Iron Mountain, Michigan 49807

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dickinson County Healthcare System – The Healthcare System was formed as a county public hospital under provisions of Michigan Act 350 P.A. 1913 on July 29, 1947. On April 1, 1959, Anderson Memorial Hospital was accepted as a unit of the hospital system. On September 11, 1990, the hospital was reorganized under Act 230 P.A. 1987 as a municipal health facilities corporation which assumed all rights, privileges, immunities and franchises of the predecessor county public hospital. On October 1, 1992, Dickinson County Memorial Hospital System received a single license to operate both Dickinson County Memorial Hospital in Iron Mountain, Michigan and Anderson Memorial Hospital in Norway, Michigan.

Pursuant to PA 230 of 1987, the hospital system is required to approve the debt of all subsidiaries. Dickinson County Board of Commissioners is required to approve the debt of the Dickinson County Healthcare System and its subsidiaries. The financial statements of the Dickinson County Healthcare System were audited by other auditors and a complete copy of the Healthcare System financial statements can be obtained at:

Dickinson County Healthcare System
1721 South Stephenson Avenue
Iron Mountain, Michigan 49801

Dickinson County Economic Development Corporation (EDC) – The EDC was established pursuant to the provisions of Public Act 338 of 1974, as amended, and is governed by a nine person board of directors appointed by the Dickinson County Board of Commissioners. The EDC may not issue debt without the County Board of Commissioners approval. Financial statement data for the EDC is not presented since there was no activity in the EDC fund for 2004. Further information relating to the EDC may be obtained from the County Courthouse.

Joint Ventures - Based on the foregoing criteria, the following organizations are not included in the financial report of the County of Dickinson:

Dickinson-Iron District Health Department – Dickinson and Iron Counties participate jointly in the operation of the Dickinson-Iron District Health Department. The members of the board are jointly appointed by the Dickinson and Iron County Board of Commissioners. All of the financial operations of the Health Department are recorded in the records of Iron County and is included as a separate discretely presented component unit in the financial statements.

The funding formula approved by the members of the local units is based on each unit's population and equalized valuation as it relates to the total population and valuation, which would be 70.6% for Dickinson County and 29.4% for Iron County. Dickinson County's contribution to the Health Department for the year ended December 31, 2004 was \$0.

Complete financial statements of the District Health Department can be obtained directly from their administrative office located at 601 Washington, P.O. Box 516, Stambaugh, Michigan 49964.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K.I.N.D. – K.I.N.D. was organized in 1992 by the cities of Kingsford, Iron Mountain, Norway and the County of Dickinson. K.I.N.D operates under a specifically designated Board of Directors (five members) and provides services to the residents of Dickinson County in the area of drug law enforcement.

Funding is based on a per capita basis, at the rate of \$.75 per person utilizing 2000 census data and subsequently adjusted based on decennial census data. Utilizing the 2000 census, it would reveal the following breakdown:

Population						
Iron Mountain	8,154	x	0.75	=	\$	6,116
Kingsford	5,549	x	0.75	=		4,162
Norway	2,959	x	0.75	=		2,219
Dickinson County	10,810	x	0.75	=		8,108
Total population	27,472				\$	20,604

The County's share of appropriation was in the form of labor (deputies' wages) paid by the County. The main source of revenues is through forfeitures.

Upon agreement of the Board, forfeiture funds could be used for operational costs, additional training and equipment and future drug money. It is agreed that of the forfeitures forfeited by the plan, 40 percent of any and all forfeitures shall remain with the drug team, the remaining 60 percent may be disbursed by majority agreement at a joint meeting of the K.I.N.D. Board of Directors, the County Controller and the City Managers of Iron Mountain, Kingsford and Norway.

Complete financial statements for K.I.N.D. Drug Enforcement team can be obtained from their headquarters at 111 East Fleshiem Street, Iron Mountain, Michigan 49801.

Pinecrest Medical Care Facility - Dickinson County is a participant with Delta and Menominee Counties in a joint venture to operate the Pinecrest Medical Care Facility. The Pinecrest Medical Care Facility was established under PA 178 of 1929 (MCL 404.1) permitting the establishment, operation and control of county medical care facility by two or more counties of less than 1,000,000 population. The Pinecrest Medical Care Board was created for that purpose. The nine-member board is composed of three representatives from each County's Social Services Board. The Counties are obligated by agreement to share equally in providing the local funds necessary for operations and improvements. Pinecrest Medical Care Facility is custodian of their funds and the financial statements are not reported in any one of the three counties. Complete Financial Statements for the Pinecrest Medical Care Facility can be obtained from Pinecrest's Office at N 15995 Main Street, Powers, Michigan 49874.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dickinson-Iron Community Services Agency (DICSA) – Pursuant to the Urban Cooperation Act, as amended, (MCLA 124.501) and the Michigan Economic and Social Opportunity Act of 1981, as amended, (MCLA 400.1101) Dickinson and Iron Counties entered into an inter-local agreement to form DICSA, a public agency, as a separate legal entity for designation as a community action agency.

The depository of agency funds shall be located in Iron County. Funding for the agency is equally shared by Dickinson and Iron Counties.

The Agency shall be governed by a governing board consisting of three members from each county for a total of six members. The chairperson of each County Board of Commissioners and two members designated by each chairperson shall constitute the governing board.

The Agency may not issue debt or levy property taxes without approval of the respective counties. A voted millage was approved for the support of the agency in which the County paid \$172,124 during 2004 from property taxes for senior citizens' activities.

Complete financial statements for DICSA can be obtained from their administrative office at 800 Crystal Lake, Iron Mountain, Michigan, 49801.

Dickinson County Solid Waste Management Authority – Articles of incorporation were adopted by the incorporating municipalities for the purpose of creating an Authority under the provisions of Michigan's 1955 Public Act 233, as amended in 1993. The municipalities include the following: County of Dickinson, the cities of Iron Mountain, Kingsford and Norway, the Charter Township of Breitung, and the townships of Breen, Felch, Norway, Sagola, Waucedah and West Branch, each located in the County of Dickinson.

The Board of Trustees consists of seven voting members appointed by the legislative bodies of the participating municipalities as designated by the articles of incorporation. Debt may be issued in the name of the Authority as negotiable bonds, secured by the contractual full faith and credit pledges of each municipality, and self-liquidating revenue bonds.

The Authority shall continue in existence perpetually or until dissolved by a two-thirds vote of the municipalities or by law. A separate audit may be obtained from the authority's office at Dickinson County Solid Waste Processing Facility, W7702, Quinnesec, Michigan, 49876.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly Governed Organization

Northpointe Behavioral Healthcare Systems Authority – Dickinson, Menominee and Iron Counties entered into an inter-local agreement on October 26, 1994 for the purpose of establishing and Authority to govern community mental health programs.

Northpointe was established pursuant to the Michigan Constitution of 1963, Article 7, Section 28, the Mental Health Code, 1974 PA 258, as amended, and the Urban Cooperation Act, 1967 PA 7 and is governed by a twelve member board. The County does not have an ongoing financial interest or an ongoing financial responsibility in Northpointe but did make an appropriation in the amount of \$99,630.

Complete financial statements for Northpointe can be obtained from their office located at 715 Pyle Drive, Kingsford, Michigan, 49802.

Accounting Policies - The accounting policies of the County of Dickinson conform to accounting principles generally accepted in the United States of America as applicable to state and local governments. The following is a summary of the more significant policies:

Fund Accounting - The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide and fund financial statements – The government-wide financial statements include a Statement of Net Assets and a Statement of Activities which report the information on all non-fiduciary activities of the primary government and its component units. Most of the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely primarily on user fees and charges for service. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrate the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a specific function or segment and 2) operating grants and contributions that are restricted to meeting the operating or capital requirements of a particular function or segment and 3) other revenues that are by definition related to the cost of providing a specific function or segment. Taxes, state revenue sharing and other items not specific to particular functions or segments are reported instead as general revenues.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation – The government-wide financial statements use the economic resources measurement focus and full accrual basis of accounting which also include the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements are recorded only when the payment is due.

Property taxes, licenses, state revenue sharing, interest revenue and charges for services are considered susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following as major governmental funds:

General Fund – The General Fund is the County's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

Revenue Sharing Reserve Fund – The Revenue Sharing Reserve Fund accounts for the activities related to the collection of additional property taxes for the purpose of replacing state revenue sharing for a period of approximately nine or ten years.

Retiree's Medical Care Reserve – The Retiree's Medical Care Reserve Fund accounts for the activity relating to the accumulation of resources to fund future post-employment health insurance for County retiree's.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The County reports the following as major proprietary funds:

Tax Revolving – This fund accounts for the purchase and subsequent collection of delinquent real property taxes from the various taxing units throughout the county.

Additionally, the County reports the following fund types:

Governmental Funds:

Special revenue funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments for major capital projects) that are legally restricted to expenditures for specified purposes.

Debt service funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital project funds – Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations or other governmental organizations).

Permanent funds – Permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the County's programs.

Proprietary Funds:

Enterprise funds – Enterprise funds may be used to, “report any activity for which a fee is charged to external users for goods and services.” GASB Statement 34 states that enterprise funds must be used to account for an activity if any of the following three criteria is satisfied:

- The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
- Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or capital debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- The pricing policies of the activity establishes fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds:

Agency funds – Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the governmental-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Tax Revolving fund are interest and fees collected on delinquent property taxes. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets, if applicable. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting – Budgets are adopted by the County Board of Commissioners for the general, special revenue, debt service and capital project funds. The budgetary basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budget is adopted at the activity level and control is exercised at the activity level. The County Board of Commissioners has authorized the County Controller to make budget transfers between appropriations prior to a regularly scheduled board meeting, when necessary, subject to the following limitations:

- a. No appropriation account may be increased or decreased by more than 20 percent.
- b. Line-item appropriations for salaries, travel, dues and memberships may not be increased.
- c. The transfers must be presented to the Board of Commissioners for approval at its next regularly scheduled meeting.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Equivalents and Investments – Cash and investments are segregated on the Statement of Net Assets. Cash deposits consist of demand and time deposits with financial institutions and are reported at carrying amount which is fair value. Investments are carried at market value. For the purpose of the statement of cash flows, the County considers all highly liquid investments with maturities of less than three months as cash equivalents.

Taxes Receivable – Current – The County property tax is levied on each December 1st on the taxable valuation of the property located in the County as of the preceding December 31st.

Although the County's 2004 ad valorem tax is levied and collectible on December 1, 2004, it is the County policy to recognize revenues from the current tax levy in the subsequent fiscal year when the proceeds from this levy are budgeted and made available for the financing of County operations.

The 2004 taxable valuation of Dickinson County amounted to \$776,882,447 on which ad valorem taxes of 6.1203 mills were levied for County operations, .9000 mills for County Library operating purposes, and .4000 mills for senior citizens programs.

The 2004 tax levy should raise approximately \$4,479,508 for County operating purposes, \$658,719 for County Library operation and \$292,727 for senior citizens programs. These amounts are recognized in the respective funds as taxes receivable – current, with an off-setting credit to deferred revenue.

In 2004 the County is required by Public Act 357 of 2004, to set aside one-third of the December 2004 levy for County operations into a new fund called the Revenue Sharing Reserve Fund, leaving two-thirds of the levy for County General Fund operations. In July 2005, the County will be required to levy one-third of the property taxes for County operations and these funds will be used to fund operations for the 2005 fiscal year. For the December 1, 2005 levy, the County will levy two-thirds of the total number of mills allocated for County operations, with \$1,490,831 going into the Revenue Sharing Reserve Fund and the remaining amount going into the County General Fund to cover fiscal year 2006 operations. In July 2006, the County will levy two-thirds of the total number of mills allocated for County operations and the proceeds from this levy will fund County operations for the 2006 fiscal year. For the December 1, 2006 levy, the County will levy one-third of the total number of mills allocated for County operations, with \$1,490,831 going into the Revenue Sharing Reserve Fund and the remaining amount going into the County General Fund to cover fiscal year 2007 operations. In July 2007, the County will levy the entire allocated County operating mills which will be used to cover County operations for the 2007 fiscal year. For fiscal years 2007 and beyond, the County's operating mills will be levied as part of the July levy, leaving only the extra voted mills to be levied each December.

The Revenue Sharing Reserve Fund will be funded by property taxes in the amount of \$4,472,493 over a three-year period and will be used to transfer amounts annually to the General Fund in lieu of the County receiving State revenue sharing payments. The amounts to be transferred to the General Fund will be determined by the State of Michigan annually and an amount of \$476,457 will represent the transfer to be made for the 2005 fiscal year. The County estimates that the Revenue Sharing Reserve Fund will be depleted during the 2013 fiscal year.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes Receivable – Delinquent – The taxes receivable in the business-type activities of \$421,856 in current taxes receivable and \$30,704 list as a noncurrent asset represent uncollected real property taxes levied prior to 2004. The delinquent real property taxes may be summarized as follows:

2003	\$	418,601
2002		32,879
2001		6
Other		<u>1,074</u>
Total	\$	<u><u>452,560</u></u>

Interfund Receivables and Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet.

Patient Receivables – Dickinson County Healthcare System – Patient receivables are uncollateralized patient and third-party payor obligations. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provisions.

Property Taxes - Assessed property values are established annually (the first Monday in March) by the local units of government and equalized by the State at an estimated 50% of current market value. Property taxable value is determined in accordance with (MCL 211.34d). The property taxes are levied based on taxable value on December 1, and are payable without penalty through the following February 28. The County tax is collected during this period by each local taxing district.

Real property taxes not paid by February 28 are purchased by the County as part of the March tax settlement. County property taxes are recognized as revenue in the current fiscal year when services financed by the levy are being provided.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets – Capital assets, which include property, buildings, equipment and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the County, as well as its component units, is depreciated using the straight-line method, except for road equipment for the County Road Commission which uses sum-of-the-years'-digits, over the following estimated useful lives:

	Years
Land improvements	15 - 30
Buildings and improvements	10 - 50
Machinery and equipment	3 - 30
Infrastructure	15 - 30

Compensated Absences – County - Employees are granted vacation and sick leave in varying amounts based upon employment classification and length of service. Upon termination, employees are paid for accumulated vacation and sick time, based upon current rate of pay subject to certain limitations. Vacation and sick leave pay is fully accrued in the government-wide financial statements and the proprietary financial statements.

Compensated Absences – Dickinson County Healthcare System – The Healthcare System has a paid-time-off (PTO) program that allows employees to earn vacation and catastrophic leave (CAT) benefits based, in part, on length of service. Employees may accumulate PTO up to a specified maximum. Employees are paid for accumulated PTO if employment is terminated. The PTO program also allows for 25% of accumulated CAT days to be paid out at retirement up to a maximum of 120 hours. CAT days not paid out are applied to years of service for pension credit calculations.

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity - Under the provisions of GASB Statement No. 1, a County may establish reserves for those portions of fund equity not appropriable for expenditure or which are legally segregated for a specific future use. Fund equity designations also may be established to indicate tentative plans for financial resource utilization in a future period.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Financing Sources (Uses) - The transfers of cash between the various County funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing and borrowing funds, respectively.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Patient Service Revenue – Dickinson County Healthcare System – The Healthcare System has agreements with third-party payors that provide for payments to the Healthcare System at amounts different from its established rates. Payments arrangements included prospectively determined rates, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care – Dickinson County Healthcare System – To fulfill its mission of community service, the Healthcare System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Healthcare System does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenue.

Advertising Costs – Dickinson County Healthcare System – The Healthcare System expenses advertising costs as incurred.

Risk Management – Dickinson County Healthcare System – The Healthcare System is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illness; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE B – BUDGET/FUND BALANCE NON-COMPLIANCE

General County

Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue Funds as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year ended December 31, 2004, expenditures were incurred in excess of the amounts appropriated in the amended budgets for the activities or functions within the General Fund, however total expenditures did not exceed total appropriations. Expenditures were in excess of appropriations in the following funds:

	<u>Total Appropriation</u>	<u>Expenditures</u>	<u>Budget Variance</u>
Public Improvement	\$ -	\$ 92,730	\$ (92,730)
Civil Defense	125,000	125,427	(427)
County Remonumentation	42,431	43,073	(642)
Child Care	437,349	458,030	(20,681)
Veteran's Tax	70,356	70,930	(574)

Deficit Fund Balance – A deficit existed in the unreserved fund balance of the Civil Defense Fund and the Senior Citizens Tax Fund of \$15,533 and \$280, respectively. Public Act 275 of 1980 requires the County to file a deficit elimination plan with the Michigan Department of Treasury showing how the deficit will be eliminated.

County Road Commission

The Road Commission has an accumulated deficit of \$44,803 in the County Road Commission fund balance at December 31, 2004.

Public Act 140 of 1971, as amended, requires the Road Commission to file a deficit elimination plan with the Michigan Department of Treasury within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition. The Road Commission has submitted a deficit elimination plan to the Michigan Department of Treasury, which has been accepted.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS

The County maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Michigan Compiled Laws, Section 129.91 authorizes the County to deposit and invest in the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the Investment Company Act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - i. The purchase of securities on a when-issued or delayed delivery basis.
 - ii. The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the securities loaned.
 - iii. The limited ability to borrow and pledge a like portion of the portfolios' assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, MCL 124.501 to 124.512.
- i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the Local Government Investment Pool Act, MCL 129.141 to 129.150.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The balance sheet caption "Cash" includes imprest cash of \$3,490. Total imprest cash, deposits, investments and the Governmental Accounting Standards Board (GASB) Statement No. 3, risk disclosures for deposits are as follows:

	Primary Government	
	Carrying Amount	Bank Balance
Cash and equivalents:		
Deposits:		
Insured (FDIC)	\$ 1,431,981	\$ 1,483,133
Uninsured	3,794,757	3,952,442
Total cash	<u>\$ 5,226,738</u>	<u>\$ 5,435,575</u>
Government-Wide Statement of Net Asset Presentation:		
Cash and equivalents:		
Unrestricted	\$ 3,961,191	
Statement of Fiduciary Net Assets		
Cash and equivalents:		
Unrestricted	1,265,547	
Total cash and equivalents	<u>\$ 5,226,738</u>	
Investments:		
Risk categorized investments:		
Government securities (3)	500,000	
Pooled investment account (3)	69,544	
Total investments	<u>\$ 569,544</u>	

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

In accordance with GASB Statement No. 3, investments are classified into three categories of credit risk as follows:

Category 1: Insured or registered, or securities held by the County or its agents in Dickinson County's name.

Category 2: Uninsured and unregistered, with securities held by the counterparty's or by its trust department or agent in Dickinson County's name.

Category 3: Uninsured and unregistered, with securities held by the counterparty's or by its trust department or agent but not in Dickinson County's name.

County Road Commission

Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the Road Commissions cash deposits and investments, is as follows:

	Primary Government	
	Carrying Amount	Bank Balance
Cash and equivalents:		
Deposits:		
Insured (FDIC)	\$ 34,633	\$ 132,655
Imprest	200	-
Total cash	<u>\$ 34,833</u>	<u>\$ 132,655</u>

The Road Commission's insured deposit amount is by virtue of the County Road Fund meeting certain specified criteria under FDIC regulations.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Dickinson County Healthcare System

At year end the Healthcare System's deposits and investments were reported in the Healthcare System's statement of net assets as follows:

	<u>2004</u>
Cash and cash equivalents	\$ 6,186,447
Temporary investments	3,008,435
Restricted assets - current portion	1,171,950
Internally designated for capital improvements	10,748,216
Other long-term investments	1,404,263
Restricted under indenture agreement for debt service	2,195,456
Restricted under indenture agreement for capital assets	<u>3,220,328</u>
Total	<u><u>\$ 27,935,095</u></u>

The breakdown between deposits and investments is as follows:

Bank deposits (checking and savings accounts)	\$ 6,202,282
Investments in securities, mutual funds and similar vehicles	<u>21,732,813</u>
	<u><u>\$ 27,935,095</u></u>

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

At December 31, 2004 the Healthcare System had bank deposits as follows:

	<u>2004</u>
Insured (FDIC)	\$ 115,924
Collateralized by corporate securities held by the pledging institution in the Healthcare System's name	1,000,000
Uncollateralized	<u>6,089,470</u>
 Total	 <u>\$ 7,205,394</u>
 Carrying value	 <u><u>\$ 6,202,282</u></u>

The Healthcare System's investment balances at December 31, 2004 were categorized as follows:

	<u>December 31, 2004</u>			
	<u>Category</u>			<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Risk categorized:				
U.S. Treasury securities	\$ -	\$ 14,833,196	\$ -	\$ 14,833,196
Commercial paper	-	<u>3,367,406</u>	-	3,367,406
 Subtotal	 <u>\$ -</u>	 <u>\$ 18,200,602</u>	 <u>\$ -</u>	
Investments not subject to categorization:				
Money market funds				<u>3,532,211</u>
				<u><u>\$ 21,732,813</u></u>

Investment Income

Investment income and gains and losses on cash equivalents and investments consist of the following for the year ended December 31, 2004:

	<u>2004</u>
Interest income and realized gains and losses	\$ 529,791
Interest income on proceeds of borrowed funds	<u>199,584</u>
 Total investment income	 <u>\$ 729,375</u>
 Change in unrealized gains and losses on investments	 <u><u>\$ (235,451)</u></u>

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE D – RECEIVABLES

Receivables consist of the following:

	Governmental Activities	Business-Type Activities	Component Units	
			Road Commission	Healthcare System
Accounts	\$ 721,818	\$ -	\$ 34,577	\$ 7,451,492
Taxes	6,263,066	421,856	-	-
Interest	-	52,714	-	-
Due from other local units	35,692	-	33,961	-
Due from the State of Michigan	199,797	-	613,285	-
Total	<u>\$ 7,220,373</u>	<u>\$ 474,570</u>	<u>\$ 681,823</u>	<u>\$ 7,451,492</u>

NOTE E - INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at December 31, 2004 are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
		Revenue Sharing Reserve	\$ 302,445
		Senior Citizen's Tax	305
		Trust and Agency	<u>10,448</u>
General Fund	<u>\$ 313,198</u>	Subtotal	<u>313,198</u>
		General Fund	58,049
		Trust and Agency	<u>75,838</u>
Tax Revolving	<u>133,887</u>	Subtotal	<u>133,887</u>
Total	<u>\$ 447,085</u>	Total	<u>\$ 447,085</u>

Financial Statement Presentation:

Governmental Funds	\$ 313,198	Governmental Funds	\$ 360,799
Enterprise Funds	133,887	Enterprise Funds	-
Fiduciary Funds	<u>-</u>	Fiduciary Funds	<u>86,286</u>
Total	<u>\$ 447,085</u>		<u>\$ 447,085</u>

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE F – CAPITAL ASSETS

County

Capital asset activity for the year ended December 31, 2004, was as follows:

	Balance at 01/01/04	Additions	Disposals	Balance at 12/31/04
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,546,055	\$ -	\$ -	\$ 1,546,055
Capital assets being depreciated:				
Buildings and improvements	8,418,893	96,807	-	8,515,700
Machinery and equipment	1,488,924	280,576	-	1,769,500
County Library	1,308,445	128,979	-	1,437,424
Infrastructure	6,536,077	-	-	6,536,077
Total capital assets	<u>19,298,394</u>	<u>506,362</u>	<u>-</u>	<u>19,804,756</u>
Less accumulated depreciation:				
Buildings and improvements	2,107,521	186,827	-	2,294,348
Machinery and equipment	673,487	154,501	-	827,988
County Library	591,453	103,087	-	694,540
Infrastructure	1,704,702	361,849	-	2,066,551
Total accumulated depreciation	<u>5,077,163</u>	<u>806,264</u>	<u>-</u>	<u>5,883,427</u>
Governmental activities capital assets, net	<u>\$ 14,221,231</u>	<u>\$ (299,902)</u>	<u>\$ -</u>	<u>\$ 13,921,329</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Judicial system	\$ 38,342
General government	500,689
Public safety	86,666
Health and welfare	6,340
Recreation and culture	<u>174,227</u>
Total governmental activities depreciation expense	<u>\$ 806,264</u>

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE F – CAPITAL ASSETS (continued)

Road Commission

The following is a summary of changes in capital assets of the Road Commission for the year ended December 31, 2004:

	Balance at 01/01/04	Additions	Disposals	Balance at 12/31/04
Capital assets not being depreciated:				
Land and improvements	\$ 205,915	\$ -	\$ -	\$ 205,915
Infrastructure land improvements	10,315,770	628,714	-	10,944,484
Capital assets being depreciated:				
Buildings	1,499,423	-	-	1,499,423
Machinery and equipment	5,681,996	82,220	31,226	5,732,990
Infrastructure - roads	28,314,750	1,725,745	-	30,040,495
Infrastructure - bridges	2,647,155	424,212	-	3,071,367
Total capital assets	<u>48,665,009</u>	<u>2,860,891</u>	<u>31,226</u>	<u>51,494,674</u>
Less accumulated depreciation:				
Buildings	436,952	39,160	-	476,112
Machinery and equipment	4,516,261	347,179	27,794	4,835,646
Infrastructure - roads	14,700,788	1,373,107	-	16,073,895
Infrastructure - bridges	737,318	68,851	-	806,169
Total accumulated depreciation	<u>20,391,319</u>	<u>1,828,297</u>	<u>27,794</u>	<u>22,191,822</u>
Capital assets, net	<u>\$ 28,273,690</u>	<u>\$ 1,032,594</u>	<u>\$ 3,432</u>	<u>\$ 29,302,852</u>

The Road Commission has elected to retroactively capitalize major infrastructure assets, as permitted by GASB Statement 34, which is included in the beginning balance of the net assets and capital assets.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE F – CAPITAL ASSETS (continued)

Dickinson County Healthcare System

The following is a summary of changes in capital assets of the Dickinson County Healthcare System for the year ended December 31, 2004:

	Balance at 01/01/04	Additions	Disposals	Balance at 12/31/04
Capital assets not being depreciated:				
Land	\$ 1,643,231	\$ -	\$ -	\$ 1,643,231
Construction in progress	2,046,193	4,117,304	2,957,571	3,205,926
Capital assets being depreciated:				
Land improvements	863,024	75,000	-	938,024
Buildings and improvements	34,566,102	460,973	-	35,027,075
Equipment	22,414,968	4,078,834	314,443	26,179,359
Total capital assets	<u>61,533,518</u>	<u>8,732,111</u>	<u>3,272,014</u>	<u>66,993,615</u>
Less accumulated depreciation:				
Land improvements	106,141	63,501	-	169,642
Buildings and improvements	8,192,816	1,228,215	-	9,421,031
Equipment	13,877,794	2,150,389	260,414	15,767,769
Total accumulated depreciation	<u>22,176,751</u>	<u>3,442,105</u>	<u>260,414</u>	<u>25,358,442</u>
Capital assets, net	<u>\$ 39,356,767</u>	<u>\$ 5,290,006</u>	<u>\$ 3,011,600</u>	<u>\$ 41,635,173</u>

Construction in progress at December 31, 2004 represent costs related to building and renovation projects and equipment purchased and not placed into service at December 31, 2004. The total estimated cost to complete the projects is \$5,585,000 which will be funded with proceeds from the Hospital Revenue bonds, Series 2004 and internally designated funds.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE G – LONG-TERM DEBT

County

The following is a summary of changes in long-term debt for the year ended December 31, 2004:

Type of Debt	Balance 1/1/2004	Additions	Deductions	Balance 12/31/2004	Amounts Due Within One Year
Governmental activities:					
Correction Center Bonds	\$ 500,000	\$ -	\$ 95,000	\$ 405,000	\$ 95,000
Fair Bonds	-	157,000	-	157,000	16,000
Compensated absences:					
General County	349,434	-	48,900	300,534	75,134
County Library	11,961	1,736	-	13,697	-
Post retirement benefits - County Library	648,829	-	28,181	620,648	22,679
Total governmental activities long-term debt	<u>\$ 1,510,224</u>	<u>\$ 158,736</u>	<u>\$ 172,081</u>	<u>\$ 1,496,879</u>	<u>\$ 208,813</u>

Debt service requirements on long-term debt at December 31, 2004 are as follows:

For the Year Ending December 30,	Governmental Activities	
	Bonds Payable	
	Principal	Interest
2005	\$ 111,000	\$ 14,308
2006	116,000	11,828
2007	121,000	9,024
2008	121,000	5,898
2009	16,000	3,928
2010-2014	77,000	9,822
Total	<u>\$ 562,000</u>	<u>\$ 54,808</u>

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE G – LONG-TERM DEBT (continued)

Governmental Activities:

In 2003 the County issued bonds in the amount of \$500,000 for improvements to the County Correctional Facility. The interest rate ranges from 1.5% to 2.55% with an ending maturity date of 5/1/08. Annual principal payments are due each May 1st and semi-annual interest payments are due each May 1st and November 1st.

In 2004 the County issued bonds in the amount of \$157,000 for improvements at the County fair grounds. The interest rate ranges from 3.9% to 4.55% with an ending maturity date of 11/1/14. Annual principal and interest payments are due each November 1st.

Compensated Absences

Vacation Benefit Policies – The County's employment policies provide for the accumulation of vacation benefits to be earned in varying amounts depending on an employee's years of service. The annual vacation benefits earned by each employee are credited on his or her employment anniversary date.

Sick Leave Benefit Policies – General County employees, union and nonunion, earn one day of sick leave per month. Sheriff Department employees earn sick leave upon hire at one day per month. After accumulation of 100 days, the employee is paid annually 25 percent of their accumulated leave in excess of 100 days in January the following year.

See Note K for information regarding post-employment benefits.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE G – LONG-TERM DEBT (continued)

Road Commission

The following is a summary of changes in long-term debt for the year ended December 31, 2004:

Type of Debt	Balance 1/1/2004	Additions	Deductions	Balance 12/31/2004	Amounts Due Within One Year
Equipment Lease-Purchase Agreements:					
Caterpillar Financial Services:					
June 2000 lease	\$ 53,583	\$ -	\$ 37,332	\$ 16,251	\$ 16,251
Septemer 2002 lease	53,317	-	13,681	39,636	14,310
Septemer 2002 lease	137,953	-	34,546	103,407	36,133
Septemer 2002 lease	159,328	-	39,899	119,429	41,732
November 2003 lease	204,718	-	39,177	165,541	40,772
Deere Credit Services:					
December 1999 lease	31,675		31,675	-	-
May 2002 lease	98,493		29,520	68,973	26,190
Daimler-Chrysler North America LLC:					
May 2003 lease	123,139		26,545	96,594	27,633
June 2003 lease	143,945		30,392	113,553	31,638
First National Bank of Norway					
February 2004 - lease	-	24,214	6,398	17,816	8,005
February 2004 - lease	-	30,761	8,957	21,804	10,209
Michigan Transportation Fund Note	360,000	-	120,000	240,000	120,000
Vested employee benefits	331,778	2,942	-	334,720	-
Total	<u>\$ 1,697,929</u>	<u>\$ 57,917</u>	<u>\$ 418,122</u>	<u>\$ 1,337,724</u>	<u>\$ 372,873</u>

Debt service requirements on long-term debt at December 31, 2004 are as follows:

For the Year Ending December 30,	Lease-Purchase Agreements		Notes Payable	
	Principal	Interest	Principal	Interest
2005	\$ 252,871	\$ 28,105	\$ 120,000	\$ 9,480
2006	249,502	17,340	120,000	4,800
2007	197,508	6,757	-	-
2008	63,123	1,005	-	-
Total	<u>\$ 763,004</u>	<u>\$ 53,207</u>	<u>\$ 240,000</u>	<u>\$ 14,280</u>

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE G – LONG-TERM DEBT (continued)

Equipment Lease-Purchase and Loan Agreements

Caterpillar Leasing

1. June 2000 lease-purchase for a 143H. The lease has an original principal amount of \$169,000 and calls for 60 monthly installments of \$3,300 at 5.9% interest, is secured by the equipment and matures in 2005.
2. September 2002 lease-purchase for a caterpillar D3 dozer. The lease has an original principal amount of \$70,269 and calls for 60 monthly installments of \$1,317 at 4.5% interest, is secured by the equipment and matures in 2007.
3. September 2002 lease-purchase for a caterpillar D6 dozer. The lease has an original principal amount of \$179,009 and calls for 60 monthly installments of \$3,337 at 4.5% interest, is secured by the equipment and matures in 2007.
4. September 2002 lease-purchase for a caterpillar 143H motor grader. The lease has an original principal amount of \$206,746 and calls for 60 monthly installments of \$3,854 at 4.5% interest, is secured by the equipment and matures in 2007.
5. November 2003 lease-purchase for a caterpillar 972G wheel loader. The lease has an original principal amount of \$211,800 and calls for 60 monthly installments of \$3,888 at 3.86% interest, is secured by the equipment and matures in 2008.

Deere Credit Leasing

1. December 1999 lease-purchase for a John Deere excavator. The lease has an original principal amount of \$141,675 and calls for 60 monthly installments of \$2,722.54 at 5.75% interest. This lease was paid off in 2004.
2. May 2002 lease-purchase for a John Deere 772H motor grader. The lease has an original principal amount of \$139,000 and calls for 60 monthly installments of \$2,607 at 4.75% interest, is secured by the equipment and matures in 2007.

Daimler-Chrysler Services

1. May 2003 lease-purchase for a quad axle dump truck. The lease has an original principal amount of \$140,723 and calls for 60 monthly installments of \$2,584 at 4.02% interest, is secured by equipment and matures in 2008.
2. May 2003 lease-purchase for a quad axle dump truck. The lease has an original principal amount of \$161,658 and calls for 60 monthly installments of \$2,969 at 4.02% interest, is secured by the equipment and matures in 2008.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE G – LONG-TERM DEBT (continued)

First National Bank of Norway

1. February 2004 lease-purchase of Chevrolet Silverado ¾ ton truck. The lease has an original principal amount of \$24,214 and calls for 36 monthly installments of \$721 at 4.5% interest, secured by the equipment.
2. February 2004 lease-purchase of a Chevrolet Tahoe. The lease has an original principal amount of \$30,761 and calls for 36 monthly installments of \$916 at 4.5% interest, secured by the equipment.

Michigan Transportation Fund Notes Payable Series 2001

During 2001, Dickinson County Road Commission entered into Act 143 Michigan Transportation Fund Revenue notes payable for the purpose of constructing a garage in the amount of \$600,000 with interest ranging from 3.8% to 5.125%. The note calls for annual principal payments of \$120,000 plus accrued interest and the note matures in 2006.

Vested Employee Vacation Benefits

Vacation benefits are earned monthly at various rates based on length of service. Each hourly (union) employee may accumulate a maximum of 240 hours of vacation time. Any authorized accumulation over the maximum 240 hours will be paid to an employee as a lump sum.

Employee Sick Leave Benefits

Each hourly (union) employee will be granted sick leave at the rate of 8 hours for each month of employment and shall be able to accumulate sick leave to a maximum 600 hours. Salaried employees may earn sick leave with no accumulation limit.

Accumulated sick leave benefits are paid in accordance with the following provisions:

1. Voluntary termination – Salaried employees will be paid 50% of their accumulated sick leave, hourly (union) employees will not be entitled to any payment for unused sick days.
2. Retirement or death – For those hired prior to January 1, 1995, salaried and hourly (union) employees will be paid 100% of their accumulated sick leave, not to exceed 600 hours upon retirement, or in the case of death to the employees beneficiary. For employees hired after January 1, 1995, they will be paid 100% of their accumulated sick leave, not to exceed 400 hours upon retirement, or in the case of death to the employee's beneficiary.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE G – LONG-TERM DEBT (continued)

Dickinson County Healthcare System

The following is a summary of changes in long-term debt for the year ended December 31, 2004:

Type of Debt	Balance 1/1/2004	Additions	Deductions	Balance 12/31/2004	Amounts Due Within One Year
Hospital revenue bonds, series 2004	\$ -	\$ 5,000,000	\$ 30,660	\$ 4,969,340	\$ 95,521
Hospital revenue and refunding bonds, series 1999	32,340,000	-	870,000	31,470,000	875,000
Original issue discount	(278,183)	-	(21,610)	(256,573)	-
Equipment note payable	1,435,826	-	172,412	1,263,414	177,422
Capitalized lease obligation	104,120	-	48,056	56,064	48,055
Unamortized loss on defeasance of series 1994 bonds	(3,212,843)	-	(249,544)	(2,963,299)	-
Total	<u>\$ 30,388,920</u>	<u>\$ 5,000,000</u>	<u>\$ 849,974</u>	<u>\$ 34,538,946</u>	<u>\$ 1,195,998</u>

The terms and due dates of the Healthcare System's long-term debt, including capital lease obligations, at December 31, 2004 are as follows:

- 5.66% Dickinson County Healthcare System, County of Dickinson, State of Michigan, Hospital Revenue Bonds, Series 2004 (Series 2004 Bonds) – due in monthly installments of \$31,194 including interest, to August 2029, secured by certain equipment. (1)
- 5.15% to 5.80% Dickinson County Healthcare System, County of Dickinson, State of Michigan, Hospital Revenue and Refunding Bonds, Series 1999 (Series 1999 Bonds) – due in varying annual installments to November 2024, secured by a pledge of net revenues, investment income, and bond funds held under the indenture agreement. (1)
- Original Issue Discount – Associated with the Series 1999 Bonds issuance.
- Equipment Note Payable – Megavoltage Radiation Therapy (MRT) equipment – During 2000 the Healthcare System entered into a 6%, 10-year note payable with Marquette General Hospital (an unrelated organization) for the purchase of MRT equipment.
- Capital Lease Obligation – Imputed interest rate of 0%, due in monthly installments to February 2006, secured by leased equipment.
- Unamortized Loss on Defeasance of Series 1994 Bonds – During 1999, the Healthcare System defeased the Series 1994 Revenue Bonds by issuing the Series 1999 bonds. A portion of the Series 1999 bond proceeds totaling \$32,810,599 was placed in an irrevocable trust to provide for all future debt service payments on the 1994 bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in these financial statements. The resulting loss on defeasance of approximately \$4,480,000 is being amortized using the straight-line method, over the life of the Series 1999 bonds.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE G – LONG-TERM DEBT (continued)

- (1) The Series 2004 bonds and Series 1999 bonds loan agreements place limits on the incurrence of additional borrowings and requires the Healthcare System satisfy certain measures of financial performance. The Series 1999 bonds loan agreement also requires the Healthcare System maintain certain deposits with a trustee. Such deposits are shown as restricted for this purpose in the statement of net assets.

Debt service requirements on long-term debt at December 31, 2004 are as follows:

For the Year Ending December 30,	Long-Term Debt		Total
	Principal	Interest	
2005	\$ 1,195,998	\$ 2,131,495	\$ 3,327,493
2006	1,222,443	2,069,942	3,292,385
2007	1,281,924	2,003,889	3,285,813
2008	1,355,471	1,931,717	3,287,188
2009	1,475,139	1,855,399	3,330,538
2010-2014	7,501,312	8,067,101	15,568,413
2015-2019	9,548,474	5,767,399	15,315,873
2020-2024	12,651,256	2,675,346	15,326,602
2025-2029	1,526,801	213,234	1,740,035
	37,758,818	<u>\$ 26,715,522</u>	<u>\$ 64,474,340</u>
Less unamortized bond discount	(256,573)		
Less unamortized loss on defeasance	<u>(2,963,299)</u>		
Total	<u>\$ 34,538,946</u>		

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE H – OPERATING LEASES – DICKINSON COUNTY HEALTHCARE SYSTEM

The Healthcare System leases certain medical and other equipment and office space under operating leases having terms of more than one year. Total operating lease expense for the year ended December 31, 2004 for all leases was \$460, 595.

Minimum future lease payments for these operating leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2005	\$ 299,768
2006	269,206
2007	102,968
2008	71,628
2009	21,928
Total minimum lease payments	<u>\$ 765,498</u>

NOTE I - OPERATING TRANSFERS IN AND OUT

Transfers between governmental and proprietary funds are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 445,093	\$ 1,404,906
Revenue Sharing Reserve	-	302,445
County Parks	142,900	-
Community Service	91,463	-
Friend of Court	65,620	-
Separation Pay	75,000	-
Public Improvement	39,205	-
County Fair	20,000	2,200
Civil Defense	47,235	-
Enhanced 911	178,711	-
Law Library	11,436	-
Veterans Tax	70,202	-
Child Care	332,745	-
County Airport	120,500	-
County Fair Debt	2,200	-
Correction Complex Debt	209,889	-
Enterprise Funds:		
Tax Revolving	-	142,648
Total	<u>\$ 1,852,199</u>	<u>\$ 1,852,199</u>

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE J - RETIREMENT PLANS

General County

Plan Description - The General County, County Library and the County Road Commission (discretely presented component unit) participate in a defined benefit non-contributory retirement plan. All plan types are administered by the Municipal Employee's Retirement System (MERS). All plans cover substantially all full-time employees. MERS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for Michigan municipal employees.

The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a non-profit entity qualified under section 401(a) of the Internal Revenue Code, which has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries.

The passage of HB-5525/Act No. 220, with enactment on May 28, 1996 allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 447 N. Canal Road, Lansing, MI 48917.

General County Retirement Plan - There are five valuation divisions within the plan. The AFSCME and Library division has adopted benefit B-3 and the Sheriff, General Nonunion and Sheriff Corrections have adopted benefit B-4. Under benefit B-3 employees shall receive 2.25% of their three-year final average compensation. Benefit B-4 provides for employees to receive 2.5% of their final three year final average compensation, depending on the benefit adopted, with a maximum benefit of 80% of the final average compensation. Retirement eligibility and requirements vary by department. Employees are required to contribute and the percent of contribution on covered payroll varies by division. The most recent actuarial report gives the details of the plan and a copy is on file in the County Controllers office.

Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2003. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE J – RETIREMENT PLANS (continued)

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2003 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

GASB 25 INFORMATION (as of 12/31/03)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 3,726,335
Terminated employees not yet receiving benefits	694,633
Non-vested terminated employees (pending refunds of accumulated member contributions)	17,219
Current Employees:	
Accumulated employee contributions including allocated investment income	692,154
Employer financed	<u>9,882,756</u>
Total actuarial accrued liability	15,013,097
Net assets available for benefits, at actuarial value (market value is \$11,060,426)	<u>12,112,947</u>
Unfunded (overfunded) actuarial accrued liability	\$ 2,900,150

GASB 27 INFORMATION (as of 12/31/03)

Fiscal year beginning	January 1, 2005
Annual required contribution (ARC)	\$ 476,832
Amortization factor used - underfunded liabilities (30 years)	0.053632

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2003 were determined using the entry age normal cost actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2001	\$ 224,939	100%	\$ -
2002	259,490	100%	-
2003	345,357	100%	-

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE J - RETIREMENT PLANS (continued)

The General County was required to contribute \$388,666 for the year ended December 31, 2004, with employee contributions totaling \$137,660. Payments were based on contribution calculations made by MERS.

The County was required to contribute at an actuarially determined rate, which is a percentage of covered payroll as listed below:

Valuation Division	Contribution Percentage		
	2005 *	2004 *	2003 *
AFSCME	14.76%	11.88%	11.71%
Sheriff	12.43%	8.98%	8.20%
Library	14.86%	14.74%	13.05%
General Nonunion	15.13%	11.48%	10.29%
Sheriff Corrections	9.92%	@	@

* Represents the actuarial required contribution for the fiscal year ended.

@ New valuation division for 2005.

Aggregate Accrued Liabilities - Comparative Schedule

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2001	\$ 10,481,653	\$ 11,137,973	\$ 656,320	94%	\$ 2,891,780	23%
2002	11,001,522	12,103,060	1,101,538	91%	3,147,521	35%
2003	12,112,947	15,013,097	2,900,150	81%	3,411,941	85%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

Actuarial assumptions for MERS valuations were revised for the 1993, 1997 and 2000 valuations. The funding method was changed to entry age normal for the 1993 valuation.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE J - RETIREMENT PLANS (continued)

County Road Commission

Road Commission Retirement Plan - The Dickinson County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% times final average compensation.

Funding Policy - Members of the employee's group do not contribute any annual compensation. One member of the Road Commissioner's group contributes 3% of the first \$4,200 and 5% of his annual compensation in excess of \$4,200. The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy. The Road Commission is required to contribute at an actuarially determined rate; the rate for the year ended December 31, 2003 was 11.22% and 5.65% of covered payroll for the General-Other and General-Road Commission Groups.

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2003 were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2001	\$ 169,661	100%	\$ -
2002	160,164	100%	-
2003	168,652	100%	-

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE J - RETIREMENT PLANS (continued)

Aggregate Accrued Liabilities - Comparative Schedule

Valuation Date December 31,	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2001	\$ 4,822,459	\$ 5,659,829	\$ 837,370	85%	\$ 1,433,731	58%
2002	4,902,390	6,092,424	1,190,034	80%	1,414,171	84%
2003	5,164,685	6,550,361	1,385,676	79%	1,317,501	105%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

Actuarial assumptions for MERS valuations were revised for the 1993, 1997 and 2000 valuations. The funding method was changed to entry age normal for the 1993 valuation.

Dickinson County Healthcare System

The Healthcare System is the administrator of a single-employer defined benefit noncontributory pension plan (Plan) covering substantially all of its employees who have met the Plan's eligibility requirements. The Plan was established in 1965 and most recently amended January 1, 2004. The most recent actuarial valuation was made as of January 1, 2005. Based on actuarial information, the Healthcare System's estimated payroll for employees covered by the plan for the years ended December 31, 2004 and 2003 was \$25,928,000 and \$25,120,000. The Healthcare System's total actual payroll for the years ended December 31, 2004 and 2003 was approximately \$28,160,000 and \$26,731,000.

Current membership in the Plan consists of the following at December 31:

	2004	2003
Retirees and beneficiaries currently receiving benefits	177	177
Vested terminated members	127	109
Active and inactive employees:		
Fully vested	497	473
Nonvested	168	199
Total	<u>969</u>	<u>958</u>

All employees of the Healthcare System are eligible to participate in the Plan following the completion of at least one year of service and a minimum of 1,000 hours. Benefits vest after five years of service and minimum of 1,000 hours per year.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE J - RETIREMENT PLANS (continued)

Normal retirement age is 65 with the completion of five or more years of service. Normal retirement pays a monthly pension for life, equal to 1.25% of average monthly compensation per year of credited service plus 0.65% of average monthly compensation in excess of covered compensation per year of service up to maximum of 35 years, with a \$50 minimum. Employees may elect an early retirement on or after age 60 which pays a monthly pension for life computed in the same manner as a normal retirement pension, but based on service and earnings to date of retirement, and actuarially reduced to reflect the early commencement date.

Active employees with 15 or more years of service and who have attained age 50, who become disabled are eligible for a disability pension, provided they qualify for Social Security disability. A disability pension is computed in the same manner as a normal retirement pension, but based on service and earnings to the date of disability.

If a vested employee dies, a death benefit is paid to the surviving spouse. Fifty percent of the deceased employee's benefit accrued to the date of death, is paid immediately or at the date the employee would have been age 60, whichever is later.

Funding Policy – The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The required contributions for the years ended December 31, 2004 and 2003 were 5.04% and 4.61%, of annual covered payroll.

Annual Pension Cost – For 2004, 2003, 2002, 2001, and 2000, the Healthcare System's annual pension cost was equal to the Healthcare System's required and actual contributions. The required contribution was determined as part of the January 1, 2004, 2003, 2002, 2001, and 2000, actuarial valuations using the projected unit credit cost actuarial funding method. The actuarial assumptions for fiscal 2004 included (a) 8.5% investment rate of return and (b) salary increases including merit and seniority increases ranging from 0.16% to 3.84% per year, plus wage inflation of 5.0%. The assumptions regarding benefits are that no changes will occur on a post-retirement basis.

The Healthcare System's annual pension cost, and required and actual contributions for the years ended December 31, 2004, 2003, 2002, 2001, and 2000 were approximately \$1,267,000, \$1,048,000, \$873,000, \$847,000 and \$732,000. The net pension obligation for the years ended December 31, 2004, 2003, 2002, 2001, and 2000 was zero.

A separately issued financial report of the Dickinson County Healthcare System Retirement Plan is available which includes financial statements and required supplementary information for the Plan.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE K – POST-EMPLOYMENT BENEFITS

County

The County provides certain post-employment health benefits per contractual agreement. Upon retirement, and if the employee qualifies for retirement benefits under MERS the County pays the same percentage of hospitalization premiums for retirees as paid for the retiree at the time of retirement, but only for employees hired prior to January 1, 1996. The benefit covers the employee and their dependents until the employee's death, after the employee's death the surviving spouse must pay for the benefit. The County does not pay anything for retiree's health insurance coverage for employees hired after January 1, 1996 but such employees may "self-pay" for continued coverage after the date of their retirement. For the year ended December 31, 2004 the County has not performed an actuarial valuation for the post-employment health benefits and it is the County's policy to fund this benefit on a pay-as-you-go basis. The following is a summary of the post-employment health benefits:

For the year ended December 31,	Annual Cost	Number of Retirees Receiving Benefits
2003	\$ 170,279	15
2004	225,146	27

The Dickinson County Library, which is audited by other auditors, has recorded a liability of \$620,648 for post-employment health benefits to reflect the present value of the monthly health insurance benefits for six currently retired employees and seven active employees whose contracts include post-retirement health coverage (calculated using current insurance costs). County Library employees have the same benefits as general county employees as noted above.

County Road Commission

Health Care Insurance Benefits

In addition to the pension benefits described in Note J, the Dickinson County Road Commission provides post-employment health care insurance benefits to specified retired employees and/or their spouse. The benefits are provided in accordance with Article 10, Section 1, of the union agreement, which includes the following provision:

"A retiree plan which excludes the Drug Rider will be provided to the retiree and his/her dependents for three (3) years following retirement. After three (3) years, the employer will pay towards the retiree's premium only, in the amount equivalent to the complimentary plan for five (5) years."

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE K – POST-EMPLOYMENT BENEFITS (continued)

In accordance with the working agreement of salaried employees with the Dickinson County Road Commission, salaried employees upon retirement are entitled to the same plan that they had while employed, except for the Drug Rider, until death and spouse until age 70, with the total cost of the plan paid by the Road Commission.

The Road Commission's policy is to finance this benefit on a pay-as-you-go basis. The following is a summary of the post-employment health benefits:

For the year ended December 31,	Annual Cost	Number of Retirees Receiving Benefis
2003	\$ 26,005	6
2004	110,423	12

Life Insurance

Salaried employees, upon retirement, are entitled to \$5,000 of life insurance with the premium paid by the Road Commission.

The Road Commission's policy is to finance this benefit on a pay-as-you-go basis. During 2004, 5 retirees were eligible for this benefit at a total cost of approximately \$240.

NOTE L - FUND EQUITY DESIGNATIONS

- A. Fund equity has been designated in the General Fund for the long-term advance to the Delinquent Tax fund in the amount of \$950,000.
- B. Fund equity has been designated in the Public Improvement fund for specific capital projects in the amount of \$36,812.
- C. Fund equity has been designated in the County Library fund for compensated absences (\$9,711), building improvements (\$105,000), and operating expenses (\$350,000).

NOTE M - CONTINGENT LIABILITIES

The County participates in a number of Federal and State assisted grant programs, principal of which are the Friend of Court and Prosecuting Attorney Cooperative Reimbursement programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts if any, to be immaterial.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE N - RISK MANAGEMENT

County

The County of Dickinson participates as a member in the Michigan Municipal Risk Management Authority. The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage, and property.

The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members. An individual member's maximum retention on general liability and auto liability is \$75,000. The limits on auto physical damage are \$15,000 per unit and \$30,000 per occurrence. The retention limits for property coverage are subject to a \$1,000 deductible with 10 percent of the first \$100,000 to be paid by the member. Some members have individual retention levels different than the ones previously stated.

In the event a reinsurance company does not meet its obligation to the Authority, responsibility for payment of any unreimbursed claims will be that of the Authority Reinsurance Fund.

The Authority has retained certain levels of risk rather than obtaining coverage through reinsurance agreements. The Authority established the Authority Reinsurance Fund in order to participate in the reinsurance agreements. Individual members are provided the same level of coverage previously afforded through a combination of the reinsurance agreements and the Reinsurance Fund.

In addition, the Authority purchases insurance for certain risks not covered by the reinsurance agreements.

At December 31, 2004, the County had no outstanding claims which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

County Road Commission

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for medical benefits claims and participants in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents) and workers' compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 years.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE N - RISK MANAGEMENT (continued)

The county road commissions in the State of Michigan established and created a trust fund, known as the Michigan County Road Commission Self-Insurance Pool (Pool) pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities with the state. The Dickinson County Road Commission became a member of the Pool for liability and property coverage in 1991 and for workers' compensation coverage in 1993.

The Michigan County Road Commission Self-Insurance Pool program operates as a common risk-sharing management program for road commissions in Michigan, member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE O – CHARITY CARE – DICKINSON COUNTY HEALTHCARE SYSTEM

The Healthcare System maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. The amounts of charges foregone, based on established rates, were \$881,315 and \$593,072 for the years ended December 31, 2004 and 2003.

NOTE P – NET PATIENT SERVICE REVENUE – DICKINSON COUNTY HEALTHCARE SYSTEM

The Healthcare System has agreements with third-party payors that provide for payments to the Healthcare System at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare: Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per visit. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. The Healthcare System's Medicare cost reports have been settled by the Medicare fiscal intermediary through the year ended December 31, 2001. The Healthcare System's classification of patients under Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Healthcare System.

Medicaid: Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary accordingly to a patient classification system that is based on clinical, diagnostic, and other factors. Defined capital costs are paid based on a cost reimbursement methodology for inpatient services. Outpatient services related to Medicaid program beneficiaries are reimbursed on a fee for service basis. The Healthcare System's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through December 31, 1997.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE P – NET PATIENT SERVICE REVENUE – DICKINSON COUNTY HEALTHCARE SYSTEM (continued)

Blue Cross: Inpatient and outpatient services rendered to Blue Cross subscribers are paid on a cost related methodology with final settlement determined after submission of annual cost reports by the Healthcare System and are subject to audits thereof by Blue Cross. The Healthcare System's Blue Cross cost reports have been settled by Blue Cross through December 31, 2000.

The Healthcare System has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Healthcare System under these agreements includes prospectively determined rates per discharge and discounts from established charges.

Laws and regulations governing Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

A summary of patient service revenue, contractual adjustments, and provision for bad debts for the year ended December 31, 2004 is as follows:

	<u>2004</u>
Gross patient service revenue	\$ 132,314,546
Less: Charity care	<u>(881,315)</u>
Total patient service revenue	<u>131,433,231</u>
Contractual adjustments	
Medicare	(33,326,973)
Medicaid	(9,095,741)
Blue Cross	(19,268,109)
Other	(6,805,319)
Provisions for bad debts	<u>(2,982,798)</u>
Total contractual adjustments and provisions for bad debts	<u>(71,478,940)</u>
Net patient service revenue	<u>\$ 59,954,291</u>

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE Q – GENERAL AND PROFESSIONAL LIABILITY INSURANCE – DICKINSON COUNTY HEALTHCARE SYSTEM

The Healthcare System carries general and professional liability insurance the MHA Insurance Company. General and professional liability claims are insured on a claims-made policy covering claims in excess of \$50,000 per occurrence and \$150,000 in the aggregate.

The Healthcare System has exposure to deductibles for professional liability claims and a liability for such claims has been established based upon an actuarial determination of expected losses on an occurrence basis.

The Healthcare System's estimate of general and professional liability includes a provision for known claims and for unreported claims and incidents. The Healthcare System's liability for unreported and known claims and incidents has been recorded at the total of anticipated future payments, and is discounted at present value factors ranging from .834 to .980 for 2004. Amounts included as expense for general and professional liability for the years ended December 31, 2004 was approximately \$606,000. The reserve for loss on professional liability claims at December 31, 2004 and activity for the year then ended is as follows:

Balance December 31, 2003	Additions	Reductions	Balance December 31, 2004
<u>\$ 1,190,000</u>	<u>\$ -</u>	<u>\$ (225,000)</u>	<u>\$ 965,000</u>

NOTE R – CONCENTRATIONS – DICKINSON COUNTY HEALTHCARE SYSTEM

The Healthcare System grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at December 31, 2004 was as follows:

	2004
Medicare	37%
Blue Cross	16%
Medicaid	8%
Commercial insurance and other	22%
Self pay	17%
	<u>100%</u>

The Healthcare System is subject to collectively bargaining agreements for approximately 64% of its labor force. These agreements are negotiated on a tri-annual basis. The agreement for the Michigan Nurses Association will expire in May 2005. This agreement is currently under negotiation. The agreement for the American Federation of State, County, and Municipal Employees (AFSCME) will expire in December of 2006.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE S – FORWARD PURCHASE CONTRACT/DEFERRED GAIN – DICKINSON COUNTY
HEALTHCARE SYSTEM**

A forward purchase contract was entered into in 1999 by the Healthcare System relating to certain trustee held funds associated with the Series 1999 bonds. The contract provides a fixed rate of return of 5.775% on the Debt Service Fund and the Reserve Fund investments.

The contract has a maturity date of November 2024, a notional value of \$2,864,000 as of December 31, 2004, and an estimated fair value of \$330,000 at December 31, 2004.

Upon inception of the agreement, the Healthcare System received a premium of \$220,000 from the counter party, which is being amortized over the life of the debt, and is recorded as a deferred gain.

The Healthcare System believes its credit risk is minimal on the transaction.

NOTE T – SINGLE AUDIT

OMB Circular A-133 requires entities that expend more than \$500,000 in federal awards to have a single audit as outlined in the OMB Circular. For the year ended December 31, 2004, Dickinson County did not expend more than \$500,000 in federal awards and therefore a single audit was not required in 2004.

REQUIRED SUPPLEMENTAL INFORMATION

COUNTY OF DICKINSON, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 4,491,237	\$ 4,508,702	\$ 4,503,090	\$ (5,612)
License and permits	14,722	14,722	14,526	(196)
Federal sources	229,239	259,239	246,003	(13,236)
State sources	1,039,200	1,039,200	784,217	(254,983)
Charges for services	1,101,990	1,176,449	1,078,739	(97,710)
Interest and rentals	50,000	50,000	41,824	(8,176)
Other	299,075	307,075	298,778	(8,297)
Total revenues	7,225,463	7,355,387	6,967,177	(388,210)
EXPENDITURES:				
Legislative:				
Board of commissioners	89,700	89,700	91,696	(1,996)
Judicial system:				
Circuit court	158,638	165,138	165,996	(858)
41st Circuit court	114,362	111,862	111,328	534
District court	354,140	349,140	338,340	10,800
Friend of court	9,576	9,576	9,680	(104)
Jury board	10,900	8,900	7,705	1,195
Probate court	347,058	311,085	302,977	8,108
Cooperative reimbursement	107,619	93,619	96,968	(3,349)
General government:				
Elections	19,500	22,500	22,399	101
Clerk	169,845	169,845	168,002	1,843
Controller/Administrator	150,518	150,518	150,228	290
Equalization	120,469	122,969	123,014	(45)
Prosecuting attorney	320,260	320,260	317,796	2,464
Register of deeds	63,079	58,829	56,482	2,347
Treasurer	129,425	129,425	128,259	1,166
Cooperative extension	142,888	139,888	134,156	5,732
Courthouse and grounds	222,394	222,394	227,738	(5,344)
Drain commissioner	9,079	9,079	8,771	308
Photocopy and data processing	78,200	70,200	68,399	1,801
Plat board	200	200	-	200
Microfilm and postage	29,083	29,083	28,625	458
Public safety:				
Sheriff	1,084,041	1,140,041	1,134,251	5,790
Marine patrol	10,377	7,877	6,548	1,329
Secondary road patrol	73,268	66,268	65,471	797
ORV	10,666	5,166	5,432	(266)
Snowmobile patrol	12,918	9,418	8,284	1,134
Jail	241,487	281,487	275,970	5,517
Mine inspector	10,576	10,576	10,627	(51)
Animal control	51,684	50,184	50,904	(720)

COUNTY OF DICKINSON, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Health and welfare:				
Mental health authority	99,630	99,630	99,630	-
T.B. Care	100	100	-	100
Substance abuse	23,234	22,534	22,534	-
Medical examiner	17,000	18,900	18,885	15
TRICO workshop	4,500	4,500	4,500	-
Probate social services	9,000	13,000	12,157	843
Soldiers burials	8,000	11,000	9,855	1,145
Soldiers and sailors relief	200	200	206	(6)
CUPPAD & other planning	12,650	12,650	12,629	21
UPCAP	1,000	1,000	1,000	-
Health department	9,353	11,151	11,151	-
Humane society	30,000	30,000	30,000	-
Project divert	5,100	5,100	5,100	-
Economic development	5,000	5,000	5,000	-
Recreation and culture:				
Menghini historical museum	1,000	1,000	1,000	-
Menominee range historical foundation	2,500	2,500	2,500	-
Area band	4,185	4,185	4,185	-
Capital outlay	60,852	86,060	85,702	358
Other :				
County properties road maintenance	30,500	30,500	34,796	(4,296)
Contingency	82,469	-	-	-
Insurance and bonds	201,329	213,132	213,095	37
Employee benefits	1,481,951	1,463,001	1,457,342	5,659
Tax tribunal orders and charge-backs	7,500	11,500	11,100	400
FIA	1,500	1,500	1,500	-
Total expenditures	6,240,503	6,203,370	6,159,913	43,457
Excess revenues (expenditures)	984,960	1,152,017	807,264	(344,753)
OTHER FINANCING SOURCES (USES)				
Transfer in	127,000	137,000	445,093	308,093
Transfer out	(1,111,960)	(1,404,906)	(1,404,906)	-
Total other financing sources (uses)	(984,960)	(1,267,906)	(959,813)	308,093
Net changes in fund balances	-	(115,889)	(152,549)	(36,660)
Fund balances - beginning	1,431,760	1,431,760	1,431,760	-
Fund balances - ending	\$ 1,431,760	\$ 1,315,871	\$ 1,279,211	\$ (36,660)

COUNTY OF DICKINSON, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
REVENUE SHARING RESERVE
For the Year Ended December 31, 2004

	Budgeted Amounts Original	Final	Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
REVENUES:				
Taxes	\$ -	\$ 1,490,831	\$ 1,490,831	\$ -
EXPENDITURES	-	-	-	-
Excess revenues (expenditures)	-	1,490,831	1,490,831	-
OTHER FINANCING SOURCES (USES):				
Transfer out	-	(302,445)	(302,445)	-
Net changes in fund balances	-	1,188,386	1,188,386	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ 1,188,386	\$ 1,188,386	\$ -

COUNTY OF DICKINSON, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
RETIREE'S MEDICAL CARE
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rentals	\$ 35,735	\$ 35,735	\$ 45,945	\$ 10,210
EXPENDITURES:				
Other	-	-	5	(5)
Excess revenues (expenditures)	35,735	35,735	45,940	10,215
Fund balances - beginning	1,544,312	1,544,312	1,544,312	-
Fund balances - ending	<u>\$ 1,580,047</u>	<u>\$ 1,580,047</u>	<u>\$ 1,590,252</u>	<u>\$ 10,215</u>

OTHER SUPPLEMENTAL INFORMATION

COMBINING FUND FINANCIAL STATEMENTS

COUNTY OF DICKINSON, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2004

	Special Revenue Funds			
	County Parks	Community Service	Friend of Court	Separation Pay
ASSETS				
Cash and equivalents:				
Unrestricted	\$ 25,603	\$ 41,668	\$ 6,568	\$ 31,750
Investments	-	-	-	-
Receivables:				
Accounts	-	3,854	-	-
Taxes	-	-	-	-
Due from other local units	-	-	-	-
Due from State of Michigan	-	-	-	-
Prepaid expense	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 25,603</u>	<u>\$ 45,522</u>	<u>\$ 6,568</u>	<u>\$ 31,750</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 13,931	\$ -	\$ -
Due to other funds	-	-	-	-
Accrued payroll	1,084	4,965	286	-
Deferred revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,084</u>	<u>18,896</u>	<u>286</u>	<u>-</u>
Fund balances:				
Reserved	-	-	-	-
Unreserved:				
Designated	-	-	-	-
Undesignated	24,519	26,626	6,282	31,750
	<u>24,519</u>	<u>26,626</u>	<u>6,282</u>	<u>31,750</u>
Total fund balances	<u>24,519</u>	<u>26,626</u>	<u>6,282</u>	<u>31,750</u>
Total liabilities and fund balances	<u>\$ 25,603</u>	<u>\$ 45,522</u>	<u>\$ 6,568</u>	<u>\$ 31,750</u>

See accompanying notes to financial statements.

Special Revenue Funds

Construction Code	Airport PFC	Public Improvement	County Fair	Homestead Property Exemption	R.O.D. Automation	Civil Defense
\$ 215,737	\$ 32,505	\$ 36,812	\$ 62,253	\$ 279	\$ 14,694	\$ (20,023)
69,544	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	6,563
-	-	-	-	-	-	-
<u>\$ 285,281</u>	<u>\$ 32,505</u>	<u>\$ 36,812</u>	<u>\$ 62,253</u>	<u>\$ 279</u>	<u>\$ 14,694</u>	<u>\$ (13,460)</u>
\$ 1,043	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,883
-	-	-	-	-	-	-
2,623	-	-	-	-	-	190
-	-	-	-	-	-	-
<u>3,666</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,073</u>
-	-	-	-	-	-	-
-	-	36,812	-	-	-	-
281,615	32,505	-	62,253	279	14,694	(15,533)
<u>281,615</u>	<u>32,505</u>	<u>36,812</u>	<u>62,253</u>	<u>279</u>	<u>14,694</u>	<u>(15,533)</u>
<u>\$ 285,281</u>	<u>\$ 32,505</u>	<u>\$ 36,812</u>	<u>\$ 62,253</u>	<u>\$ 279</u>	<u>\$ 14,694</u>	<u>\$ (13,460)</u>

COUNTY OF DICKINSON, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2004

	Special Revenue Funds			
	Enhanced 911	Local Correction Officer Training	Drug Law Enforcement	Drug Law Enforcement - Sheriff
ASSETS				
Cash and equivalents:				
Unrestricted	\$ (18,650)	\$ 9,203	\$ 4,303	\$ 5,841
Investments	-	-	-	-
Receivables:				
Accounts	6,796	-	-	-
Taxes	-	-	-	-
Due from other local units	-	-	-	-
Due from State of Michigan	24,197	-	-	-
Prepaid expense	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 12,343</u>	<u>\$ 9,203</u>	<u>\$ 4,303</u>	<u>\$ 5,841</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 578	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Accrued payroll	6,184	-	-	-
Deferred revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>6,762</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Reserved	-	-	-	-
Unreserved:				
Designated	-	-	-	-
Undesignated	5,581	9,203	4,303	5,841
	<u>5,581</u>	<u>9,203</u>	<u>4,303</u>	<u>5,841</u>
Total fund balances	<u>5,581</u>	<u>9,203</u>	<u>4,303</u>	<u>5,841</u>
Total liabilities and fund balances	<u>\$ 12,343</u>	<u>\$ 9,203</u>	<u>\$ 4,303</u>	<u>\$ 5,841</u>

See accompanying notes to financial statements.

Special Revenue Funds

Special Investigative	Law Library	CDBG Housing	Probation Enhancement	Senior Citizens Tax	Veterans Tax	County Remonu- mentation
\$ 2,916	\$ 3,853	\$ -	\$ 13,299	\$ 25	\$ 2,051	\$ (4,608)
-	-	-	-	-	-	-
-	-	-	13,228	-	-	-
-	-	-	-	292,727	-	-
-	2,770	-	-	-	-	-
-	-	46,838	-	-	-	25,339
-	-	-	-	-	-	-
<u>\$ 2,916</u>	<u>\$ 6,623</u>	<u>\$ 46,838</u>	<u>\$ 26,527</u>	<u>\$ 292,752</u>	<u>\$ 2,051</u>	<u>\$ 20,731</u>
\$ -	\$ -	\$ 46,838	\$ -	\$ -	\$ -	\$ -
-	-	-	-	305	-	-
-	-	-	-	-	-	-
-	-	-	13,228	292,727	-	20,731
-	-	46,838	13,228	293,032	-	20,731
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,916	6,623	-	13,299	(280)	2,051	-
2,916	6,623	-	13,299	(280)	2,051	-
<u>\$ 2,916</u>	<u>\$ 6,623</u>	<u>\$ 46,838</u>	<u>\$ 26,527</u>	<u>\$ 292,752</u>	<u>\$ 2,051</u>	<u>\$ 20,731</u>

**COUNTY OF DICKINSON, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2004**

	Special Revenue			
	D.A.R.E. Program	School Liaison	Child Care	Soldiers and Sailors Relief
ASSETS				
Cash and equivalents:				
Unrestricted	\$ 7,242	\$ 4,604	\$ 60,478	\$ 1,401
Investments	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Due from other local units	-	-	-	-
Due from State of Michigan	-	-	1,114	-
Prepaid expense	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 7,242</u>	<u>\$ 4,604</u>	<u>\$ 61,592</u>	<u>\$ 1,401</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 954	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Accrued payroll	-	-	1,222	-
Deferred revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>954</u>	<u>-</u>	<u>1,222</u>	<u>-</u>
Fund balances:				
Reserved	-	-	-	-
Unreserved:				
Designated	-	-	-	-
Undesignated	6,288	4,604	60,370	1,401
	<u>6,288</u>	<u>4,604</u>	<u>60,370</u>	<u>1,401</u>
Total fund balances	<u>6,288</u>	<u>4,604</u>	<u>60,370</u>	<u>1,401</u>
Total liabilities and fund balances	<u>\$ 7,242</u>	<u>\$ 4,604</u>	<u>\$ 61,592</u>	<u>\$ 1,401</u>

See accompanying notes to financial statements.

Special Revenue

Veterans Trust	County Airport	Family Counseling	Criminal Justice Training	Alcohol Assessment	Jail Commissary	County Library
\$ 898	\$ 60,147	\$ 12,899	\$ 3,576	\$ 22,144	\$ 2,917	\$ 564,218
-	-	-	-	-	-	-
-	41,859	-	-	-	-	652,219
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	5,170
<u>\$ 898</u>	<u>\$ 102,006</u>	<u>\$ 12,899</u>	<u>\$ 3,576</u>	<u>\$ 22,144</u>	<u>\$ 2,917</u>	<u>\$ 1,221,607</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,129
-	-	-	-	-	-	-
-	3,270	-	-	-	-	-
-	-	-	-	-	-	652,219
-	3,270	-	-	-	-	682,348
-	-	-	-	-	-	21,066
-	-	-	-	-	-	464,711
898	98,736	12,899	3,576	22,144	2,917	53,482
898	98,736	12,899	3,576	22,144	2,917	539,259
<u>\$ 898</u>	<u>\$ 102,006</u>	<u>\$ 12,899</u>	<u>\$ 3,576</u>	<u>\$ 22,144</u>	<u>\$ 2,917</u>	<u>\$ 1,221,607</u>

**COUNTY OF DICKINSON, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2004**

	<u>Debt Service</u>		<u>Capital Projects</u>	
	<u>County Fair Debt</u>	<u>Correction Complex Debt</u>	<u>County Fair Project</u>	<u>Correction Complex Construction</u>
ASSETS				
Cash and equivalents:				
Unrestricted	\$ -	\$ 117,037	\$ 55,388	\$ -
Investments	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Due from other local units	-	-	-	-
Due from State of Michigan	-	-	-	-
Prepaid expense	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ 117,037</u>	<u>\$ 55,388</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Accrued payroll	-	-	-	-
Deferred revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Reserved	-	-	-	-
Unreserved:				
Designated	-	-	-	-
Undesignated	-	117,037	55,388	-
	<u>-</u>	<u>117,037</u>	<u>55,388</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>117,037</u>	<u>55,388</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 117,037</u>	<u>\$ 55,388</u>	<u>\$ -</u>

See accompanying notes to financial statements.

Permanent Funds			Total Nonmajor Governmental Funds
Fontana Terminal Trust	Fumee Lake Trust	Library Trust	
\$ 250,929	\$ 211,355	\$ 108,588	\$ 1,949,900
500,000	-	-	569,544
-	-	-	717,956
-	-	-	292,727
-	-	-	2,770
-	-	-	104,051
-	-	-	5,170
<u>\$ 750,929</u>	<u>\$ 211,355</u>	<u>\$ 108,588</u>	<u>\$ 3,642,118</u>
\$ -	\$ -	\$ -	95,356
-	-	-	305
-	-	-	19,824
-	-	-	978,905
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,094,390</u>
706,303	205,478	108,588	1,041,435
-	-	-	501,523
44,626	5,877	-	1,004,770
<u>750,929</u>	<u>211,355</u>	<u>108,588</u>	<u>2,547,728</u>
<u>\$ 750,929</u>	<u>\$ 211,355</u>	<u>\$ 108,588</u>	<u>\$ 3,642,118</u>

COUNTY OF DICKINSON, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2004

	Special Revenue Funds			
	County Parks	Community Service	Friend of Court	Separation Pay
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-
Federal sources	-	-	-	-
State sources	-	-	-	-
Local sources	-	-	-	-
Charges for services	96,027	143,705	3,120	-
Interest and rentals	2,575	104,121	-	-
Other	15,267	983	-	-
Total revenues	113,869	248,809	3,120	-
EXPENDITURES:				
Judicial system	-	-	65,769	-
General government	-	-	-	43,250
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and culture	254,858	305,689	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	254,858	305,689	65,769	43,250
Excess revenues (expenditures)	(140,989)	(56,880)	(62,649)	(43,250)
OTHER FINANCING SOURCES (USES):				
Bond proceeds	-	-	-	-
Transfer in	142,900	91,463	65,620	75,000
Transfer out	-	-	-	-
Total other financing sources (uses)	142,900	91,463	65,620	75,000
Net changes in fund balance	1,911	34,583	2,971	31,750
Fund balances - beginning	22,608	(7,957)	3,311	-
Fund balances - ending	\$ 24,519	\$ 26,626	\$ 6,282	\$ 31,750

See accompanying notes to financial statements.

Special Revenue Funds

Construction Code	Airport PFC	Public Improvement	County Fair	Homestead Property Exemption	R.O.D. Automation	Civil Defense
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
182,369	-	-	-	-	-	-
-	-	-	-	-	-	71,928
-	-	3,953	36,120	-	-	-
-	-	-	-	-	-	-
-	11,187	-	158,626	-	31,580	-
6,218	327	10,903	19,535	279	414	-
1,297	-	-	16,317	-	-	101
<u>189,884</u>	<u>11,514</u>	<u>14,856</u>	<u>230,598</u>	<u>279</u>	<u>31,994</u>	<u>72,029</u>
-	-	-	-	-	-	-
-	-	-	-	-	49,148	-
-	-	-	-	-	-	80,747
223,512	-	-	-	-	-	-
-	-	-	240,368	-	-	-
-	-	92,730	-	-	-	44,680
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>223,512</u>	<u>-</u>	<u>92,730</u>	<u>240,368</u>	<u>-</u>	<u>49,148</u>	<u>125,427</u>
<u>(33,628)</u>	<u>11,514</u>	<u>(77,874)</u>	<u>(9,770)</u>	<u>279</u>	<u>(17,154)</u>	<u>(53,398)</u>
-	-	-	-	-	-	-
-	-	39,205	20,000	-	-	47,235
-	-	-	(2,200)	-	-	-
<u>-</u>	<u>-</u>	<u>39,205</u>	<u>17,800</u>	<u>-</u>	<u>-</u>	<u>47,235</u>
(33,628)	11,514	(38,669)	8,030	279	(17,154)	(6,163)
<u>315,243</u>	<u>20,991</u>	<u>75,481</u>	<u>54,223</u>	<u>-</u>	<u>31,848</u>	<u>(9,370)</u>
<u>\$ 281,615</u>	<u>\$ 32,505</u>	<u>\$ 36,812</u>	<u>\$ 62,253</u>	<u>\$ 279</u>	<u>\$ 14,694</u>	<u>\$ (15,533)</u>

COUNTY OF DICKINSON, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2004

	Special Revenue Funds			
	Enhanced 911	Local Correction Officer Training	Drug Law Enforcement	Drug Law Enforcement - Sheriff
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-
Federal sources	-	-	-	-
State sources	97,181	-	-	-
Local sources	-	-	370	-
Charges for services	90,661	9,635	-	-
Interest and rentals	-	-	-	-
Other	8	532	50	1,970
Total revenues	187,850	10,167	420	1,970
EXPENDITURES:				
Judicial system	-	-	-	-
General government	-	-	-	-
Public safety	373,946	964	138	3,399
Health and welfare	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	15,529	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	389,475	964	138	3,399
Excess revenues (expenditures)	(201,625)	9,203	282	(1,429)
OTHER FINANCING SOURCES (USES):				
Bond proceeds	-	-	-	-
Transfer in	178,711	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	178,711	-	-	-
Net changes in fund balance	(22,914)	9,203	282	(1,429)
Fund balances - beginning	28,495	-	4,021	7,270
Fund balances - ending	\$ 5,581	\$ 9,203	\$ 4,303	\$ 5,841

See accompanying notes to financial statements.

Special Revenue Funds

Special Investigative	Law Library	CDBG Housing	Probation Enhancement	Senior Citizens Tax	Veterans Tax	County Remonu- mentation
\$ -	\$ -	\$ -	\$ -	\$ 170,902	\$ -	\$ -
-	-	-	-	-	-	-
-	-	148,172	-	-	-	-
-	-	-	-	-	-	43,073
-	-	-	3,645	-	-	-
-	-	-	-	-	169	-
-	14,702	-	5,090	-	-	-
-	14,702	148,172	8,735	170,902	169	43,073
-	36,331	-	-	-	-	-
-	-	-	-	-	-	43,073
231	-	-	6,900	-	-	-
-	-	148,172	-	172,124	70,930	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
231	36,331	148,172	6,900	172,124	70,930	43,073
(231)	(21,629)	-	1,835	(1,222)	(70,761)	-
-	-	-	-	-	-	-
-	11,436	-	-	-	70,202	-
-	-	-	-	-	-	-
-	11,436	-	-	-	70,202	-
(231)	(10,193)	-	1,835	(1,222)	(559)	-
3,147	16,816	-	11,464	942	2,610	-
\$ 2,916	\$ 6,623	\$ -	\$ 13,299	\$ (280)	\$ 2,051	\$ -

COUNTY OF DICKINSON, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2004

	Special Revenue Funds			
	D.A.R.E. Program	School Liaison	Child Care	Soldiers and Sailors Relief
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-
Federal sources	7,946	10,297	-	-
State sources	-	-	31,909	-
Local sources	8,164	5,664	11,519	-
Charges for services	-	-	14,213	-
Interest and rentals	-	-	-	-
Other	1,357	-	2,809	-
Total revenues	17,467	15,961	60,450	-
EXPENDITURES:				
Judicial system	-	-	458,030	-
General government	-	-	-	-
Public safety	20,586	12,644	-	-
Health and welfare	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	20,586	12,644	458,030	-
Excess revenues (expenditures)	(3,119)	3,317	(397,580)	-
OTHER FINANCING SOURCES (USES):				
Bond proceeds	-	-	-	-
Transfer in	-	-	332,745	-
Transfer out	-	-	-	-
Total other financing sources (uses)	-	-	332,745	-
Net changes in fund balance	(3,119)	3,317	(64,835)	-
Fund balances - beginning	9,407	1,287	125,205	1,401
Fund balances - ending	\$ 6,288	\$ 4,604	\$ 60,370	\$ 1,401

See accompanying notes to financial statements.

Special Revenue Funds

Veterans Trust	County Airport	Family Counseling	Criminal Justice Training	Alcohol Assessment	Jail Commissary	County Library
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 613,732
-	-	-	-	-	-	-
-	46,992	-	-	-	-	-
2,176	30,804	-	4,965	-	-	32,868
-	-	-	-	-	-	158,052
-	27,942	3,360	-	2,887	39,165	14,193
-	111,193	-	-	-	-	23,880
-	30,886	-	85	-	-	32,085
2,176	247,817	3,360	5,050	2,887	39,165	874,810
-	-	-	-	-	-	-
-	339,554	-	-	-	-	-
-	-	-	3,607	-	37,810	-
1,544	-	50	-	2,320	-	-
-	-	-	-	-	-	864,702
-	4,400	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,544	343,954	50	3,607	2,320	37,810	864,702
632	(96,137)	3,310	1,443	567	1,355	10,108
-	-	-	-	-	-	-
-	120,500	-	-	-	-	-
-	-	-	-	-	-	-
-	120,500	-	-	-	-	-
632	24,363	3,310	1,443	567	1,355	10,108
266	74,373	9,589	2,133	21,577	1,562	529,151
\$ 898	\$ 98,736	\$ 12,899	\$ 3,576	\$ 22,144	\$ 2,917	\$ 539,259

COUNTY OF DICKINSON, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2004

	Debt Service Funds		Capital Project Funds	
	County Fair Debt	Correction Complex Debt	County Fair Project	Correction Complex Construction
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-
Federal sources	-	-	-	-
State sources	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Interest and rentals	-	-	545	212
Other	-	649	-	-
Total revenues	-	649	545	212
EXPENDITURES:				
Judicial system	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	102,157	64,520
Debt service:				
Principal	-	95,000	-	-
Interest	2,200	9,413	-	-
Other	-	556	-	-
Total expenditures	2,200	104,969	102,157	64,520
Excess revenues (expenditures)	(2,200)	(104,320)	(101,612)	(64,308)
OTHER FINANCING SOURCES (USES):				
Bond proceeds	-	-	157,000	-
Transfer in	2,200	209,889	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	2,200	209,889	157,000	-
Net changes in fund balance	-	105,569	55,388	(64,308)
Fund balances - beginning	-	11,468	-	64,308
Fund balances - ending	\$ -	\$ 117,037	\$ 55,388	\$ -

See accompanying notes to financial statements.

Permanent Funds			Total Nonmajor Governmental Funds
Fontana Terminal Trust	Fumee Lake Trust	Library Trust	
\$ -	\$ -	\$ -	\$ 784,634
-	-	-	182,369
-	-	-	285,335
-	-	-	283,049
-	-	-	183,769
-	-	-	649,946
13,956	6,284	2,498	303,109
-	470	1,200	125,858
13,956	6,754	3,698	2,798,069
-	-	-	560,130
1,627	-	-	476,652
-	-	-	540,972
-	-	-	618,652
-	6,177	1,644	1,673,438
-	-	-	324,016
-	-	-	95,000
-	-	-	11,613
-	-	-	556
1,627	6,177	1,644	4,301,029
12,329	577	2,054	(1,502,960)
-	-	-	157,000
-	-	-	1,407,106
-	-	-	(2,200)
-	-	-	1,561,906
12,329	577	2,054	58,946
738,600	210,778	106,534	2,488,782
\$ 750,929	\$ 211,355	\$ 108,588	\$ 2,547,728

COUNTY OF DICKINSON, MICHIGAN
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
December 31, 2004

	General Trust and Agency	Library Penal Fines	District Court Trust	Sheriff Inmate Trust	Totals
ASSETS					
Cash and cash equivalents:					
Unrestricted	<u>\$ 1,113,651</u>	<u>\$ 93,197</u>	<u>\$ 50,663</u>	<u>\$ 8,036</u>	<u>\$ 1,265,547</u>
LIABILITIES					
Due to other funds	\$ 86,286	\$ -	\$ -	\$ -	\$ 86,286
Due to other units governmental units	75,236	-	-	-	75,236
Undistributed taxes	883,085	-	-	-	883,085
Other liabilities	<u>69,044</u>	<u>93,197</u>	<u>50,663</u>	<u>8,036</u>	<u>220,940</u>
Total liabilities	<u>\$ 1,113,651</u>	<u>\$ 93,197</u>	<u>\$ 50,663</u>	<u>\$ 8,036</u>	<u>\$ 1,265,547</u>

See accompanying notes to financial statements.

COUNTY OF DICKINSON, MICHIGAN

REPORT TO MANAGEMENT

Year Ended December 31, 2004



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA
Christina A. Smigowski, CPA

REPORT TO MANAGEMENT

Members of the Board of Commissioners
County of Dickinson, Michigan

We have audited the financial statements of the County of Dickinson, Michigan for the year ended December 31, 2004, and have issued our reports thereon dated May 12, 2005. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under U.S. Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the County of Dickinson, Michigan. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our auditing procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the County of Dickinson, Michigan are described in Note A of the financial statements.

During the current year the County prepared their financial statements in accordance with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, which significantly changes the financial reporting format for the County. We noted no transactions entered into by the County of Dickinson, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates. The most sensitive estimates affecting the financial statements were the useful lives of property and equipment for the purpose of calculating depreciation.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, do not have a significant effect on the financial reporting process.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements of the County of Dickinson, Michigan or a determination of the type auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Dickinson's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in the performance of our audit.

In planning and performing our audit of the financial statements of the County of Dickinson, Michigan, for the year ended December 31, 2004, we considered the County of Dickinson, Michigan's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated May 12, 2005, on the financial statements of the County of Dickinson, Michigan.

We have already discussed many of these comments and suggestions with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This information is intended solely for the use of members of the County Board, management of Dickinson County and federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.L.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

May 12, 2005

COUNTY OF DICKINSON, MICHIGAN

COMMENTS AND RECOMMENDATIONS

December 31, 2004

Sheriff Inmate Trust

Comment:

The inmate trust bank account is not being reconciled with the inmate payable accounts.

Recommendation:

Each month a reconciliation should be performed between the bank statement balance and the amount due to the inmates.

Management Response:

There is a great deal of fluctuation in the inmate trust account and the bank statements have only been partially reconciled. The LEMS software program does include a bank reconciliation module and jail personnel will be trained to use this module.

Crystal Lake Community Center

Comment:

Currently the Community Center is performing its accounting and payroll functions manually.

Recommendation:

Consideration should be given to computerizing these functions at the Community Center so the accounting process is more efficient.

Management Response:

The purchase of accounting/payroll software will be a top priority in the 2006 budget cycle.

COUNTY OF DICKINSON, MICHIGAN

COMMENTS AND RECOMMENDATIONS

December 31, 2004

Prisoner Board Collection Policy

Comment:

Currently there is no policy or procedures on the collection of outstanding prisoner board accounts. We also noted that there is no report available to show the total outstanding balance of all prisoner board accounts.

Recommendation:

Policies/procedures should be developed in writing, as to the collection of delinquent prisoner board accounts. Also included in the policies/procedures should be criteria relating to what the charge per day is, the amount that it increases when it is sent to collection and the timing of when delinquent accounts are sent to collection.

Management Response:

Jail personnel are currently putting together a procedure and policy manual for the collection of outstanding prisoner board accounts.

COUNTY OF DICKINSON, MICHIGAN

COMMENTS AND RECOMMENDATIONS

December 31, 2004

Budget Non-Compliance

Comment:

Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue Funds as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget. Expenditures were in excess of appropriations in the following funds:

	<u>Total Appropriation</u>	<u>Expenditures</u>	<u>Budget Variance</u>
Public Improvement	\$ -	\$ 92,730	\$ (92,730)
Civil Defense	125,000	125,427	(427)
County Remonumentation	42,431	43,073	(642)
Child Care	437,349	458,030	(20,681)
Veteran's Tax	70,356	70,930	(574)

Deficit fund balances existed in the unreserved fund balance of the Civil Defense Fund and the Senior Citizens Tax Fund of \$15,533 and \$280, respectively.

Recommendation:

We recommend that budgets be amended as necessary to prevent expenditures from exceeding appropriations. The County is also required to file a deficit elimination plan with the Michigan Department of Treasury.

Management Response:

Budgets are amended during the year to more accurately reflect revenues and expenditures. The most significant deficit, which was the Public Improvement Fund, has already been erased by the sale of the county-owned airport hangar. In the case of the Child Care Fund, expenditures can be difficult to predict. A greater effort will be made to refine year-end revenue and expenditure projections so that expenditures do not exceed authorized spending at year end.

COUNTY OF DICKINSON, MICHIGAN

COMMENTS AND RECOMMENDATIONS

December 31, 2004

GASB Statement 45 – Accounting and Financial Reporting By Employers for Post-Employment Benefits Other Than Pensions

Comment:

In June 2004, the GASB issued Statement 45, which establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. OPEB includes post-employment healthcare as well as other post-employment benefits such as life insurance.

The Statement is being implemented in three phases, with the County of Dickinson being required to implement the Statement for the year ended December 31, 2009. GASB Statement 45 is going to impact the future accounting of post-employment health insurance costs as it relates to the amount the County will be required to pay for these benefits. Beginning in 2009, the County will be required by governmental generally accepted accounting principles to pay the current cost of providing those benefits as well as an amount needed to fund a portion of the unfunded liability relating to the post-employment health benefit. The unfunded liability will be required to be actuarially determined and will be amortized over a period likely not to exceed thirty years. The methods used as part of Statement 45 are similar to those currently used to determine required contribution rates for defined benefit pension plans.

The County Board of Commissioners as well as County Management should begin to consider the impact of GASB Statement 45 prior to the required implementation date.